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Israelis Block 3 Main Routes In Occupied South Lebanon

Completed by Our Staff From Dispatches
SIDON, Lebanon — Israeli forces closed all roads from northern Lebanon into occupied southern Lebanon with barbed wire Friday as protests, which started yesterday in the southern port city of Sidon, spread throughout the country.

Near Tyre, gunmen hidden in an orange grove fired on an Israeli convoy, United Nations spokesman said. A UN convoy, which was in the cross fire, the sources said. There were no casualties.

Israeli officers said that the three li River crossing points — at Awali Bridge on the coast, at a bridge 15 kilometers (about 10 miles) inland and at Niha in Chuf hills — would be removed to vehicles and pedestrians Sunday. They gave no explanation for the action.

The Awali River is Israel's northern defense line in Lebanon since Israeli forces withdrew from the Beirut area.

The closure of the bridges followed a marked escalation in anti-Israeli resistance activity in the h and a general strike against occupation in Sidon.

Prime Minister Shafiq al-Wazzani of Lebanon deplored the closure of the bridges and asked Foreign Minister Elie Salem to send notes of protest to international bodies, including the United Nations, according to Beirut radio.

Muslim leaders arranged more anti-Israeli protests in Sidon's mosques on Friday while their colleagues in Beirut staged mosque sit-ins in solidarity with the southerners.

In Sidon, Israeli troops with guard dogs entered a mosque and herded out worshippers to conduct a search, according to state radio and local reporters.

Mr. Wazzani, who joined demonstrators in a mosque in Beirut, called the incident an "intolerable violation of religious immunity" and told Mr. Salem to lodge a protest with the United Nations, the Lebanese state radio reported.

Local politicians told Reuters on Thursday that the Israelis were holding about 125 people from Sidon, including two Muslim clerics apparently suspected of encouraging the resistance.

An Israeli military spokesman confirmed the arrests but declined to give details.

Muslims in the northern Lebanese port of Tripoli also joined in the protest, and hundreds of worshippers flocked to the mosques to stage sit-ins.

Former Prime Minister Rashid Karami, Tripoli's leading politician, participated in a sit-in at one of the city's mosques.

Reuters reported that fighting broke out Friday between pro-Syrian and anti-Syrian militias in Tripoli and quoted security sources as saying that one pedestrian had been wounded in the exchange.

The security sources said that automatic weapons were used in the two-hour clash. It was not clear what started the fighting.

Many sectors in Tripoli are controlled by local militias, and the city's leaders are trying to work out a security plan that calls for the disarming of the militias and the takeover of police duties by Lebanese security forces.

Lebanon's state radio reported that shells and mortars fell on a Lebanese Army base and Christian residential neighborhoods east of Beirut for about a half-hour at mid-afternoon Friday.

Lebanon's state radio reported that the Progressive Socialist Party of the Druze leader Walid Jumblat said Friday that it would continue its fight against the government of President Amin Gemayel of Lebanon. Reuters reported from Damascus.

A party statement said that the prospect that interim security agreements might be signed did not mean that a political solution to the Lebanese conflict had been reached.

The statement appeared to be referring to efforts by a Saudi mediator to secure an agreement between rival forces around Beirut.

"We affirm that the PSP will continue fighting against the policies of Amin Gemayel" and his rightist Christian Phalange Party, the statement said.

"We want to see a general political solution for Lebanon," it added, criticizing Lebanese government policies, including censorship of the Beirut press.

Other Democratic and Republican legislative leaders, including several who have supported administration policy in Lebanon, suggested Thursday that Congress would move to force a change in the Marine mission in Beirut if President Ronald Reagan did not do so by the end of January.

Mr. O'Neill scheduled a meeting of Democratic leaders Tuesday to discuss U.S. policy in Lebanon and pending proposals that would require the administration to pull out the Marines before the end of the 18-month period, which began in October. Congress is scheduled to reconvene Jan. 23.

The shift in congressional sentiment appeared to be strengthened by the publication Wednesday of a Defense Department report that questioned U.S. policy in Lebanon.

A special Pentagon commission that investigated the Oct. 23 bombing that killed 241 servicemen at a Beirut barracks, released its report that U.S. policy in Lebanon was weighed too heavily toward military action. The report recommended "a more vigorous and demanding approach to pursuing diplomatic alternatives."

Mr. Michel, in a speech Tuesday in Beirut, Illinois, called for a change in U.S. tactics in Lebanon, urging the administration to withdraw the Marines. Mr. Michel had been a strong supporter of administration policy.

He asked: "Should we not consider removing American Marines from Lebanon, keeping our fleet offshore and leaving it to Israel, as our strategic partner, to work out in ways it might choose, a solution to the Lebanon problem?"

William V. Roth Jr., Republican of Delaware and chairman of the Senate Governmental Affairs Committee, said Thursday: "The president showed great courage in sending the Marines into what everyone knew at the time would be a difficult assignment. The president should now show that same courage by admitting that this course of action has failed."

Dante B. Fascell, Democrat of Florida and the acting chairman of the House Foreign Affairs Committee, said Thursday, "The issue of American policy in Lebanon, particularly the deployment of Marines, is going to be a top priority matter as soon as we get back."

Mr. Fascell added, "Having a military commission raise concerns about the policy is important and accentuates the doubts that were already in the mill."

Mr. Reagan and Congress compromised on the duration of U.S. involvement in the multinational peacekeeping force in Lebanon, setting an 18-month limit, effective from the signing of the bill Oct. 12.

Since then, the security situation in Lebanon has steadily deteriorated, including the truck bombing of the Marine complex.

Mr. O'Neill, according to his aide, has concluded that the administration seriously misread the situation in Lebanon when it asked Congress in September to support an extended stay by the Marines.

Other members of Congress agreed. "We cannot expect to be at the same time an umpire and a player," Mr. Michel said Tuesday.

The Pentagon commission that investigated the truck bombing came to a similar conclusion. Its report said: "The commission believes there was a fundamental conflict between the peacekeeping mission provided through the chain of command to the Marines and the increasingly active role the United States was taking in support of the Lebanese armed forces."

Censures Possible
Secretary of Defense Caspar W. Weinberger has directed the Pentagon to study ways of implementing recommendations of the Defense Department's report, including possible disciplinary action. The Washington Post reported.

President Reagan on Tuesday ruled out courts-martial for any officers found to have acted improperly before the truck bombing in Beirut. Officials said Thursday, however, that officers may still be censured in ways that could harm their careers.

The Pentagon report, in addition to criticizing policy in Lebanon, found fault with several officers in the chain of command.



AFTER ATTACKS — Israeli soldiers patrolling Friday in the West Bank town of Hebron, where two mosques had been attacked. Jewish extremists claimed the explosions. Page 2.

O'Neill Rethinking Stance on Beirut

By Philip Taubman
New York Times Service

WASHINGTON — The speaker of the House, Thomas P. O'Neill Jr., is reconsidering his support for the 18-month limit that Congress set for the Marine deployment in Beirut, an aide to the Massachusetts Democrat says.

While declining to comment in person, Mr. O'Neill authorized the aide to say Thursday, "It would be fair to say the speaker now thinks a six-month limit would be much wiser."

Mr. O'Neill's reassessment, coupled with remarks this week by the leader of the House's Republican minority, Robert H. Michel of Illinois, appeared to reflect a shift in Congressional sentiment away from Reagan administration policy in Lebanon.

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- Gulf Oil said it had won shareholder approval to reincorporate in Delaware, defeating a challenge. Page 11.
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Shultz to Meet Gromyko for Talks on Arms

By Bernard Gwertzman
New York Times Service

WASHINGTON — The United States and the Soviet Union will resume high-level talks Jan. 18 in Stockholm, the State Department said Friday.

Department officials said they expected the discussions to include arms control and all other outstanding issues.

Secretary of State George P. Shultz and Foreign Minister Andrei A. Gromyko have agreed to meet that day while they are in the Swedish capital for the first round of a security and disarmament conference, according to Alan D. Romberg, a department spokesman.

This will provide the two governments the first opportunity at policy-making levels to discuss the differences that have chilled their relations.

In Palm Springs, California, where President Ronald Reagan is on vacation, Larry M. Speakes, the White House spokesman, said that "the president, of course, is pleased that this meeting has been arranged."

"We do regard it as a positive element in the sense that it will continue the dialogue," he said.

There was no immediate statement from the Soviet Union.

State Department officials said that the Americans intended to use the meeting between Mr. Shultz and Mr. Gromyko to reopen discussions on all major issues that have essentially been shelved in recent months.

The most pressing question, and

the one that will be of most interest to the North Atlantic Treaty Organization allies who also will be in Stockholm, is to see if it will be possible to agree on dates for resuming negotiations on the various arms control issues that have been either suspended or in recess without a fixed date to return.

These include the negotiations in Geneva on medium-range missiles from which the Soviet side walked out in November after NATO began to deploy new U.S. missiles.

The negotiations on reducing strategic arms recessed in early December with the Soviet side saying it had to review the situation in light of the deployment before agreeing to any new date for talks.

The negotiations between East and West on conventional forces in Europe similarly adjourned with no date set for resumption.

The intention on the U.S. side is for the Stockholm meeting to revive the dialogue that was effectively broken off in September when a Soviet fighter shot down a South Korean airliner. Because of that incident, Soviet-U.S. discussions that were beginning to show some results, particularly in improving trade, renewing a cultural exchange agreement and exchanging consulates, were again frozen.

(Continued on Page 3, Col. 3)

Arabs, Jews in Israel: Uphill Détente

Personal-Contact Projects Aim to Chip Away Prejudice

By David K. Shipler
New York Times Service

JERUSALEM — On the sixth night of Hanukkah, about 150 Jews and Arabs gathered in a building at the Hebrew University for the lighting of candles and the singing of the Jewish prayer. The Jews then sang Hebrew songs; the Arabs watched and listened respectfully.

It was a rare moment of concord in the increasing effort being made in Israel by small organizations of Jews and Arabs to struggle against the tide of hatred and suspicion.

The group assembled between classes at the Marian Butler Institute for Adult Education, where the Jews were studying Arabic and the Arabs were studying Hebrew. The Jews came mostly out of an idealistic attitude that one should know the language of one's neighbor; the Arabs out of a pragmatic conviction that one should speak the language of one's ruler.

But language is just the drawing card at the center. The main idea is to get Arabs and Jews together "to give them an opportunity to break down the stereotypes that both sides have of each other," according to Sister Rose Theresa, a Roman Catholic nun who helps run the program.

This is one of the older programs, dating from the end of the 1960's. Other efforts have emerged more recently, usually initiated by liberal-minded or politically leftist Jews who deny anti-Arab prejudice in their society.

The 1982 invasion of Lebanon has had some impact. The painful divisiveness over the morality of

A Land Divided

Last of a series

A few Arab-Israeli business ventures flourish like flowers in a landscape of distrust. Page 2.

the war seems to have stimulated at least a tentative new interest among some Jews in reaching out for human contact and understanding with Arabs.

The close fighting through refugee camps and civilian neighborhoods, the siege and bombardment of West Beirut and the massacre of Palestinians by Israel's Lebanese Christian allies left some sensitive Israeli Jews troubled by how faceless the Arabs had become to them.

Khalil Samara, the principal of an elementary and junior high school in the Arab village of Tamra, reported an improved atmosphere among his Jewish neighbors in the eight-story building where he and one other Arab family live in the nearby city of Acre.

He was demolishing a wall in his apartment, he said, and carrying out the debris, when "a Jewish neighbor came down and said, 'I'm going to help.'"

"This was the first time I ever saw a Jew willing to physically help an Arab," Mr. Samara remarked. "I said, 'David, I request that you don't.' But he said, 'I insist.' That was a real change."

Some Arabs sense their images of Israeli Jews growing more refined. Abed Samara, a sociologist at An Najah University on the occupied West Bank, noted that the estimated 400,000 Jews who protested the massacre displayed a variety of political opinion that had not been obvious to many Arabs.

"First we said all Jews are the same," he said. "Then we differentiated between Jews and Israelis and said all Israelis are the same. Then slowly we realized that there are many different political views among Israelis."

Since 1979, a small, American-funded program, Interns for Peace, has placed 39 young persons, mostly American Jews, in two Arab villages.

(Continued on Page 2, Col. 1)

Adept Soviet Envoys Gain Influence at UN

By Richard Bernstein
New York Times Service

UNITED NATIONS, New York — A common sight in the corridors and lounges here is of an impeccably dressed Communist diplomat speaking perfect English who moves from group to group of delegates, clasping hands, smiling, joking and shaking his head in what appears to be good-humored despair about the latest foreign policy pronouncement of the Reagan administration.

The diplomat is Oleg A. Troyanovsky, the head of the Soviet mission to the United Nations, and, by most accounts, one of the most skillful and knowledgeable delegates in the 158-nation world body.

Mr. Troyanovsky, who heads the largest diplomatic mission to the United Nations, represents a development commonly noted by UN diplomats and officials. It is that the Soviet Union, weak and isolated in the first decade or so of the United Nations' existence, has over the years made adept use of the world body and become, arguably, its single most powerful and influential member.

"The Russians are very skillful here," a Western diplomat said. "They have taken the UN very seriously and pursued a long-range strategy. They send dozens of specialists in multilateral diplomacy here; they collect information; they cultivate the Third World; they know all of the procedures and mechanisms extremely well and they use that knowledge to shape the agenda to suit their purposes."

A senior UN official said that over the years Soviet diplomats have become more sophisticated.

"I've seen it in such things as the cut of their pants," the official said. "Years ago, you could always tell a Russian by his wide, untidy trousers; now, the Soviets are indistinguishable from Western diplomats."

To be sure, the Soviet Union does not win every vote or every battle at the United Nations. Each year, for example, the General Assembly, by an overwhelming majority, calls for the withdrawal of Soviet troops from Afghanistan. In September, after Soviet fighter planes shot down a Korean Air Lines passenger plane, Mr. Troyanovsky vetoed a resolution condemning the act in the Security Council.

Delegates also say that in some areas, the Russians play a very minor role. One is the General Assembly's Second Committee, dealing with economic relations between industrialized and non-industrialized countries.

"In the Second Committee," a Western diplomat said, "the Soviets are not much of a factor."

Nonetheless, while far from dominating all aspects of the United Nations, the Soviet Union by all accounts enjoys great strength. Its main accomplishment, delegates say, has been to help shape an agenda that, by and large, is unfriendly to Western values and interests.

There are what might be called the bedrock political issues — Palestinian rights, harsh criticism of Israel and South Africa, and the transfer of wealth from the



Oleg A. Troyanovsky, chief of the Soviet UN mission.

industrialized nations of the West and Japan to the Third World — on which the Russians not only vote with large majorities but have also played a major role in shaping the language of resolutions and the concepts used in debates.

Delegates and UN officials give several reasons for the Soviet Union's relative success. One important element is that, unlike the United States, the Soviet Union can count on virtually complete support from a group of 20 or so other countries, from Eastern bloc states like Bulgaria and Poland to such countries as Vietnam, Angola, Cuba and Nicaragua.

At the same time, diplomats say, the Russians have been skillful in identifying issues of concern to the countries of the Third World, which, organized into the 101-member Nonaligned Movement, constitute a large UN majority. Some delegates, particularly from the West, say that the Russians, operating through their allies in the Third World, have been successful in encouraging

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Ivory Coast Running Out of Power

By Clifford D. May
New York Times Service

ABIDJAN, Ivory Coast — West Africa's only ice-skating rink has melted.

In the tall modern office buildings here, executives gaze out windows that do not open through eyes blurred with perspiration. Every evening, well-heeled Europeans and locals dine by candlelight in elegant restaurants, then go home and read by candlelight as well.

About two weeks ago, the Ivory Coast began to run out of power. Hydroelectricity is the source of 92 percent of the country's energy. Lack of sufficient rain has caused the water level in the dams to sink steadily, so that now there is not enough to run many of the turbines.

At first, the blackouts were brief, two or three hours a day in one neighborhood or another, and few people worried much about it. But in recent days, the power cuts have grown longer and more frequent. Some neighborhoods are now without electricity for up to 17 hours a day, with no power whatever in daylight hours. Industrial capacity has been reduced by an estimated 35 percent. Tons of food have spoiled. Whole neighborhoods have had to do without water when the electricity for the pumps was cut.

Some businessmen have stopped going to their offices, afraid of getting stuck in the elevators or unwilling to spend the day in an office that can become as hot and damp as a steam bath.

"For years, I had gone from my air-conditioned villa to my air-conditioned car to my air-conditioned office," said one businessman. "I never realized just how hot it really is here."

Power shortages are by no means a novelty in the region. In Accra, the capital of Ghana, electricity is now supplied only on alternate days. In Lagos, the capital of Nigeria, blackouts are an accepted part of life and every factory, business and home that can afford it has a diesel generator ready to switch on when the lights go out.

But unlike Ghana and Nigeria, the Ivory Coast has long been known as the showcase of Africa, a modern nation where bureaucrats think ahead and where work gets done. This time, however, the rule has been broken, and that appears to be causing a crisis of confidence as well.

"Water levels in a dam don't just drop overnight," said an energy expert. "This can't have come as a surprise."

President Félix Houphouët-Boigny, who has run the Ivory Coast with efficiency and dynamism since it became independent from France 23 years ago, has yet to acknowledge publicly that there is a problem or to assure the population that he is handling it.

The director of the electricity authority, Konan Lambert, has acknowledged that the energy shortage is "catastrophic," but he explained the lack of planning only by saying that "we had chosen the optimistic thesis."

2 West Bank Mosques Are Attacked; Jewish Extremists Issue Claim

Compiled by Our Staff From Day After

TEL AVIV — One person was injured Friday in hand grenade attacks on two mosques in the West Bank city of Hebron.

A Jewish extremist group calling itself Terror Against Terror claimed responsibility for the bombings in calls to two Israeli radio stations.

That group has claimed several attacks against Moslem places of worship since five persons were killed and 42 injured Dec. 6 when a bomb exploded on a Jerusalem bus. Responsibility for that attack was claimed by the Palestine Liberation Organization.

Passengers prevented another bomb explosion on a Jerusalem bus Friday when they saw a suspicious package as the vehicle traveled through the Mahaneh Yehuda market in the Jewish sector, the police said.

The authorities found a bomb in the package and dismantled it. In the first mosque attack in Hebron, a hand grenade was apparently activated when a worshipper opened the gates to the Sheikh Rashid Mosque in the central market area, the police said. The worshipper was slightly injured, the authorities said.

The second grenade, at the Sheikh Ali Mosque, apparently went off by itself. It caused no casualties, they said.

A police spokesman, David Cohen, said the grenades were of the type used by the Israeli Army. He said the same type had been used in attacks on several Christian and Moslem institutions in the Jerusalem area earlier this month.

A Moslem cleric and a Christian nun were injured in those attacks, for which Terror Against Terror also claimed responsibility.

Mr. Cohen said reinforced police and army details were polling the town to prevent unrest. Victims to the area said that clerics were being made on travelers and vehi-

cles, especially around Moslem and Christian religious sites.

In another development Friday concerning the West Bank, the police claimed a breakthrough in the investigation of the fatal shooting of an Arab girl Dec. 8 in Nablus.

The authorities blamed the attack on a Jew or Jews pursuing Arabs who had thrown rocks at their car. Yossi Amnon of the West Bank settlement of Elon Moreh and Pinhas Hahrawi of Tel Aviv were brought to a magistrate's court in Rehovot on Friday for consideration of charges relating to the murder.

In a separate development on Friday, the Israeli cabinet met in special session in Jerusalem to discuss plans that call for cuts in government spending and a 10-percent tax on luxury goods.

Newspaper reports said Finance Minister Yigal Cohen-Orgad was seeking to cut about 4.5 percent from the 1983-84 budget of \$21 billion, and slightly less from the 1984-85 budget.

The reports also said that Mr. Cohen-Orgad wanted to impose heavy duties on luxury goods and to do away with free high school education.

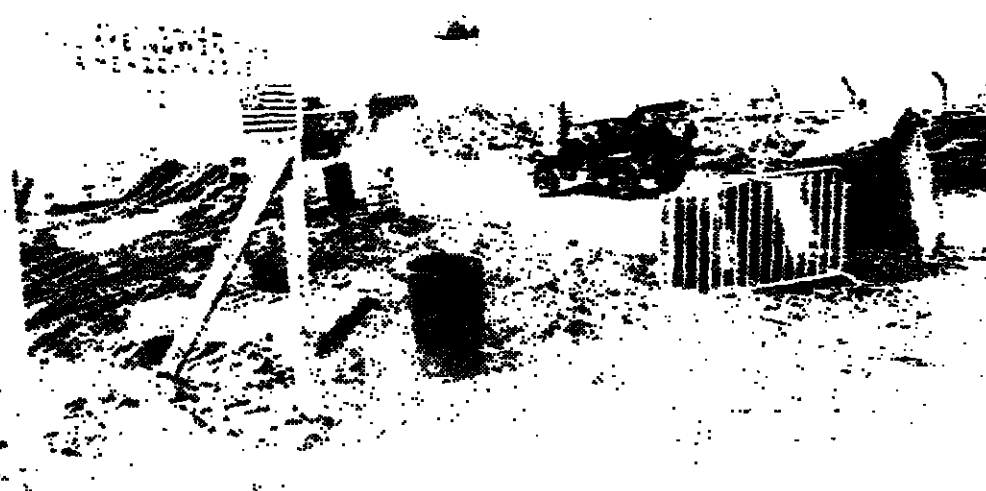
The cabinet session came as the Central Statistics Bureau announced that Israel's trade deficit in 1983 was \$5.1 billion and the gross national product had risen by less than 1 percent. Private consumption, meanwhile, rose about 7 percent.

Annual inflation for 1983 is expected to reach 200 percent. The foreign debt stands at \$23 billion.

Mr. Cohen-Orgad also said at the meeting that the austerity measures he is contemplating may include curtailing construction of Jewish settlements in the West Bank and Gaza Strip.

It was the first time the cabinet has considered slashing funds for construction of settlements. (AP, NYT, UPI)

CHECKPOINT



CHECKPOINT — A jeep entering the American zone in Beirut, which has been reinforced since the Marine headquarters was blown up in October. An Islamic group has warned that if U.S. and French forces are not out by Jan. 1, "there will be earthquakes."

Iran Begins Reconnaissance Flights Over U.S. Ships in the Gulf Region

By Fred Hiatt

Washington Post Service

WASHINGTON — Iran has begun reconnaissance flights over U.S. ships in and near the Gulf, Reagan administration officials say.

The officials said that the flights could be a precursor to stepped-up military action in the Iran-Iraq war.

The administration officials said Thursday that Iran had stationed about 20 U.S.-built F-4 fighter jets at Bandar Abbas, at the mouth of the Gulf, and had flown missions in P-3 reconnaissance planes.

"This is the first time we've seen a concerted surveillance effort over our ships," a U.S. official said. "It could be a prelude to some military action, perhaps toward Iraq, per-

haps toward closing the Strait of Hormuz."

Another official said that U.S. ships were taking precautions against possible suicide attacks by the planes based at Bandar Abbas. But the official said there had been no specific threats, and a Pentagon official said new developments were "probably intended more to Iran than to us."

The U.S. Navy has five ships in the Gulf, including two destroyers, and 10 ships in the northern Arabian Sea, including the carrier Ranger. The Reagan administration has pledged to keep open the Strait of Hormuz, through which oil tankers pass between the Gulf and the Arabian Sea.

Iran and Iraq have been fighting since September 1980. Both sides have suffered heavy casualties but

made little progress. Iraq has threatened to escalate what has become a war of attrition.

The export to Iraq of five French jets capable of firing highly accurate Exocet missiles has added to speculation that Iraq might attack Iranian oil facilities or ships approaching those facilities. Iran, it is feared, might retaliate by mining the straits.

■ **Iraq Says It Downs 2 Planes**

Iraq said Friday that it had shot down two Iranian warplanes after an air battle over their southern front, near the Iranian city of Ahvaz, United Press International reported from Beirut.

The state-run Iraqi press agency said the Iranian aircraft were intercepted before crossing into Iraq. There was no immediate comment from Iran.

Africans Ask U.S. to Stay In UNESCO

50 Nations Say Pullout Would Weaken Agency

Compiled by Our Staff From Dispatches

PARIS — Fifty African nations appealed Friday to the United States to reconsider its decision to pull out of UNESCO by the end of 1984 because the withdrawal would "undermine" the agency.

"We hope the United States will reconsider this decision so as to maintain the principle of universality, which is the very foundation of the whole UN system," said a statement signed by Jean Ping of Gabon, the chairman of the group of 50 African nations at the Paris-based United Nations Educational, Scientific and Cultural Organization.

Mr. Ping said UNESCO members from Asia, Latin America and the Arab world were likely to make similar appeals early in January.

The Reagan administration announced Thursday that the United States would pull out of the UN agency by Jan. 1, 1985, citing an anti-Western bias and efforts to curb press freedom as reasons for the withdrawal.

Mr. Ping rejected U.S. allegations of Third World political manipulation in UNESCO, saying no decisions were made without a consensus of the 162 member countries.

"The most important thing to bear in mind here," he said, "is that America itself has always said no nation should be excluded from the UN or any of its agencies in keeping with the principle of universality."

By pulling out, they will be undermining this principle in reverse."

UNESCO issued a statement in Paris, where it is based, saying that the director-general, Amadou Mahtar Mbow, was studying a communication by Secretary of State George P. Shultz, informing the agency of the U.S. intention to withdraw.

No other country has followed Washington's lead. New Zealand's foreign affairs minister, Warren Cooper, said Thursday his country would reconsider its participation in UNESCO at the next cabinet meeting, probably at the end of January.

The French government called on the United States to reconsider, saying it "deeply regrets" the move. The Paris daily Le Monde said in an editorial Friday that "the confrontation between the United States and UNESCO very much resembles a boxing match opposing the American Reagan against the Senegalese Mbow. A match that opposes two totally divergent conceptions of the role of this international organization."

The governments of Britain, Canada, West Germany and Japan said they shared U.S. concerns about the politicization of UNESCO but would remain members and urged President Ronald Reagan to reconsider. Indonesia expressed "regret" but said Washington had "the right" to make the decision. Foreign Minister Mochtar Kusumaatmadja said Friday.

Other countries were angry about the decision. Spain accused Washington of throwing a "tantrum." The decision "is not going to produce any wave of pullouts," said Luis Ramallo, the head of UNESCO's Spanish committee. "It is an attitude of an infantile tantrum."

The Soviet Union denounced the decision, calling it an attempt by the United States to be the world's "self-styled ruler."

Jordan criticized the U.S. decision to withdraw and urged U.S. officials to reconsider. Jordan's three leading dailies said Friday.

A U.S. withdrawal would bring a budgetary crisis and sweeping cuts in the UN body's programs, diplomats quoted by Reuters predicted Friday. The United States contributes a quarter of the agency's budget.

In the mid-1970s, the United States withheld its contributions to UNESCO for a period after Israel came under attack within the organization. UNESCO managed to overcome the two-year crisis with interest-free loans from Arab states, but this option may be more difficult to follow now.

Diplomats said it would be up to Mr. Mbow to propose spending cuts and that they would probably affect programs rather than Paris staff.

(UPI, Reuters, AP)

WORLD BRIEFS

Garrison in El Salvador Is Attacked

SAN SALVADOR (UPI) — Leftist guerrillas captured an infantry garrison Friday in an attack on El Salvador's two main northern garrisons, according to the guerrilla radio. There were reports later that the garrison had been recaptured by government forces.

"For the first time in the war, our forces have taken the garrison of an infantry brigade," the guerrillas' Radio Farabundo Martí said. "The garrison of the 4th Infantry Brigade has fallen into our hands."

A diplomat also reported the capture of the garrison in the hamlet of F. Paraiso, 30 miles (48 kilometers) north of San Salvador, but said that the army retook the facility in the afternoon. "It's not clear if the army expelled the guerrillas or if they withdrew," said the diplomat, who asked not to be identified.

Jackson to Meet Assad in Damascus

DAMASCUS (UPI) — The Rev. Jesse L. Jackson, a candidate for the Democratic presidential nomination, will meet with President Hafez al-Assad of Syria on Saturday to ask the release of a captured U.S. airman, Robert O. Goodman Jr., U.S. diplomats said Friday.

A spokesman for the U.S. Embassy in Damascus said the Syrian government has said Mr. Jackson would be able to see Mr. Assad — who reportedly has had heart trouble recently — after meeting with Syria's foreign minister, Abdel-Halim Khaddam.

"We would hope that the force of these meetings will allow us to break the deadlock and make a giant step toward peace," said Mr. Jackson, who arrived here Friday with a delegation of religious leaders to urge the release of Lieutenant Goodman. The airman's plane was shot down by Syrian forces over Lebanon on Dec. 4 during a U.S. bombing raid against Syrian positions.

China Hints at Restoring Dutch Ties

BEIJING (LAT) — China signaled its readiness Friday to forgive the Netherlands for selling two submarines to Taiwan three years ago and to discuss the re-establishment of full diplomatic relations with the Dutch.

The move follows the Dutch government's refusal to sell Taiwan two more submarines in return for a promised \$500-million shipbuilding contract and an undertaking to purchase hundreds of millions of dollars worth of Dutch goods. A strong minority in the Dutch parliament favored the sale because of the 1,600 jobs involved.

Beijing believes that, with the rejection of the sales by the Netherlands, it has won a major diplomatic contest against Taiwan. A commentary in the Chinese Communist Party newspaper People's Daily said that the Dutch government's refusal would help restore ties between the countries, downgraded in 1981.

Honecker Advocates East-West Pact

BERLIN (Reuters) — East Germany's head of state and Communist Party leader, Erich Honecker, has called for an accord between NATO and Warsaw Pact countries on the renunciation of military force and the maintenance of peaceful relations.

In a New Year's address, published by the official ADN press agency, he said that, with the stationing of Pershing-2 and cruise missiles in Western Europe, the world had entered the "probably most dangerous period of postwar development."

East Germany will be taking part in January's conference on European security and disarmament in Stockholm "with the firm intention" to do its best for a reduction of military confrontation, for the development of confidence and security-building measures and for disarmament, he said.

Pretoria Said to Resist Namibia Plan

UNITED NATIONS, New York (UPI) — South Africa has refused to announce a voting system for independence elections in South-West Africa, also known as Namibia, and still insists on linking the issue to the withdrawal of an estimated 25,000 Cuban troops from neighboring Angola, Secretary-General Javier Pérez de Cuellar said Friday.

In a report to the UN Security Council, which has called on Pretoria to allow a UN plan for independence of the territory to be implemented, Mr. Pérez de Cuellar said that the South Africans had informed him that the electoral system for Namibia "is of no great importance" and "should not cause unnecessary problems."

On Thursday, South African planes bombed suspected guerrilla bases inside Angola.

Zimbabwe Bishops Support Socialism

HARARE, Zimbabwe (Reuters) — Zimbabwe's Catholic bishops Friday pledged support for the socialist policies of Prime Minister Robert Mugabe's government and appealed to Christians to help the changing society.

In a New Year's pastoral statement, they said Zimbabwe's socialism meant equality among all people regardless of race, creed or sex, an equitable distribution of resources and promotion of self-reliance and national reconciliation.

But they criticized leaders, many of whom were educated at mission schools, for only paying lip service to socialism.

Judge Blocks Release of Nixon Papers

WASHINGTON (AP) — A federal trial judge on Friday blocked the public release, scheduled to begin Tuesday, of 1.5 million White House documents left behind when President Richard M. Nixon resigned in 1974.

District Judge Thomas Hogan struck down as unconstitutional part of the law allowing public access to the papers, which include some of the Nixon administration's most sensitive political documents. The ruling was a victory for 29 former Nixon officials, who had challenged the government's plan to release the papers.

In a brief order, to be followed by a fuller written opinion, Judge Hogan barred officials of the General Services Administration and the National Archives "from further implementing or taking any further actions pursuant to the existing public access regulations until such time as newly promulgated regulations become effective."

For the Record

The Arab Revolutionary Brigades, in a telephone call in Paris, claimed responsibility for a submachine-gun attack Thursday that killed an employee of the Jordanian Embassy in Madrid and wounded another, Agence France-Presse reported Friday. (AP)

East Germany will introduce daylight-saving time March 25, the East German news agency, ADN, said Friday. (Reuters)

Arab-Jewish Businesses Span Israeli Divide

New York Times Service

PARDES HANNA, Israel — Four years ago, Lucien Ben-Shoshan, a 37-year-old Jew, and Khalil Attama, a 33-year-old Arab, became partners in a small enterprise manufacturing concrete building blocks. Their company became one of a scattering of Arab-Jewish businesses in Israel, blooming like wild flowers in a landscape of distrust.

Now their machinery clatters profitably on a site down a narrow road in this small Jewish town between Haifa and Tel Aviv.

There is nothing ideological about their partnership, and they do not see themselves as remarkable men. They shrug off suggestions that what they are doing is special — except that their blocks are so good, they say, that they are used for building houses everywhere, from Haifa to Eilat.

"He's a businessman, I'm a businessman — no problems," said Mr. Ben-Shoshan.

"I gain and he gains," said Mr. Attama, who lives in the neighboring Arab village of Kfar Kara.

The enterprise, which sells about 100,000 blocks a month at the equivalent of 60 cents apiece, came into joint Arab-Jewish ownership after Mr. Ben-Shoshan's first partner had retired and the partner's son lost interest.

Another Jew wanted to buy in, but Mr. Ben-Shoshan preferred Mr. Attama. "Khalil had a truck and would bring gravel," he said. "I asked him, maybe he wants to come in with me because I knew him, and the other guy I didn't know."

Down the road at an Arab-Jewish used car lot, Jewish customers usually ask for the Jewish partner, Moshe Gendler, and Arabs ask for the Arab partner, Sharif Attama. He is no relation to Khalil Attama.

"I don't think of him as a Jew

or as an Arab," said Sharif Attama of his partner. "I just get along with him. If you offered to exchange Moshe for 50 Arabs in terms of work, I wouldn't agree, and I believe it's mutual. I can leave a whole roomful of money and come back and find the money there. I can trust him."

In the 10 years the two have been selling cars together, they have formed a close friendship, they say, so close that one night, when Mr. Gendler was in the Israeli Army and his wife had to take their daughter to the hospital, "she didn't phone her father or her sister," he said. "She phoned him at two o'clock in the morning. And he got up and took her."

Mr. Gendler thinks that the joint ownership improves business by drawing customers from both the Jewish and Arab sectors; you need to trust the man from whom you buy a used car. They sell about 90 cars a year, he said.

Arafat Arrives in Tunis For PLO Policy Review

Reuters

TUNIS — Yasser Arafat, chairman of the Palestine Liberation Organization, arrived Friday in Tunisia for the first of a series of meetings to redefine policy after his evacuation from northern Lebanon and his meeting with President Hosni Mubarak of Egypt.

Mr. Arafat flew in from San'a, North Yemen. He was expected to take part in a meeting of the central committee of el-Fatah, the mainstream PLO faction. Tunis has been Mr. Arafat's headquarters since he was forced to leave Beirut under Israeli siege in September 1982.

The PLO leader met with President Mubarak in Cairo on Dec. 22 on his way to North Yemen after he and about 4,000 guerrillas loyal to him were evacuated from the Lebanese port of Tripoli, where they had been surrounded by Syrian-backed Palestinian rebels.

It was Mr. Arafat's first visit to Cairo since 1977, when Egypt began the Camp David peace process with Israel. The PLO and most of the Arab world had condemned the initiative by President Anwar Sadat.

■ **Arafat Seeks Cairo Ties**

Earlier, Herbert H. Denton of The Washington Post reported from San'a:

Spokesmen for Mr. Arafat said in San'a that the Palestinian leader was turning his attention to efforts to rebuild the PLO around a new alliance that he is seeking with Egypt.

One of Mr. Arafat's top aides, Ahmed Abdel-Rahman, said that, despite criticism of Mr. Arafat's rapprochement with Egypt by opponents in Damascus, "Independent forces of the PLO will form a new leadership. We are against the puppets of the Syrian-Libyan regimes. Those that shot at and killed Palestinian fighters have no right to enter the PLO. They are agents of the Syrian regime."

Mr. Rahman said that Mr. Arafat also planned to call a session of the Palestine National Council, the PLO's self-styled parliament in exile. It would be called in Algiers in February "to set a new strategy for the PLO on the basis of its independence."

After arriving in North Yemen with 1,200 guerrillas and their families from Tripoli, Mr. Arafat has received PLO officials, who are still loyal to him but appear somewhat stunned by his opening to Egypt.

From Damascus, daily threats have come from Palestinian rebels and PLO figures who sat on the fence during the Tripoli battles but joined the dissidents when Mr. Arafat had his surprise meeting in Cairo with Mr. Mubarak.

Fatah dissidents in Damascus have said that they would not only work to oust Mr. Arafat but would also oppose any Arab capital deal-

ing with him since he joined the "Camp David conspiracy."

Mr. Arafat and his men tend to shrug off the attacks, broadly suggesting that he is willing to accept deeper divisions in the PLO as the price for salvaging what is left of his influence after the Lebanon debacle. The risk is that he may bring the house down in his gamble to save it.

Throughout his tenure as PLO leader, Mr. Arafat has fought to contain splits within the movement. This struggle has often led him into unworkable compromises.

The day after his ship left Tripoli, Mr. Arafat said he felt better. "Now the Syrian knife is far away from my back," he said. "They can't blackmail me anymore."

For years Mr. Arafat lived with that Syrian knife at his back. But now, with hope of a unified PLO gone, he seems to be ready to move toward Egypt and a clear alliance with Arab moderates like Jordan.

In Tripoli, he fought alone, losing his last scraps of turf in Lebanon and fighting at the end only for a retreat with some dignity. In private, he remembers those who supported him, such as the residents of Israeli-occupied West Bank and Gaza, and he recalls with traces of bitterness not only his opponents but others who failed to come to his aid.

His newest detractor, George Habash, head of the leftist Popular Front for the Liberation of Palestine, remained neutral but stayed in Damascus in November as Syria shelled Arafat loyalists in support of the Palestinian rebels.

Mr. Arafat remembers that the Soviet Union tried to get Syria to ease the pressure on him but that the cease-fire arranged after its efforts soon broke down. "They did their best, but the Syrians did not accept any of their efforts."

Discussing the new relationship with Egypt, Mr. Arafat and his aides tend to talk about it as a catalyst for achieving Arab unity and strengthening the PLO rather than as the key to any detailed plan for resolving the Palestinian problem. In the past, Mr. Arafat used similar language to describe Syria.

Adept Soviet Diplomats Gaining Influence at UN

(Continued from Page 1)

the Third World into anti-Western positions.

"The East bloc works hard to get their people onto the key committees," a West European diplomat said, giving as an example the Council on Namibia, created in 1972 to foster independence for the South African-controlled territory of South-West Africa.

In this case, and in other committees dealing with such subjects as Palestinian rights and decolonization, the active nations generally include the Soviet Union and several countries closely allied to it; the Western countries, by contrast, are under-represented.

"The whole process is gerrymandered against the West," the European diplomat said. "The Eastern bloc invents the tone and controls the process," he said, adding that often the debates and resolutions emerging from the committees con-

stitute a "huge propaganda jambo-ree."

"We have all come to the conclusion that you'd have to join these committees in tremendous strength," he said.

The former chief U.S. representative at the United Nations, Daniel Patrick Moynihan, has cited the 1975 resolution branding Zionism to be a "form of racism" as an example of the Soviet ability to push the agenda in a radical direction. Similarly, many delegates contend that the Russians have pressed the criticism of Israel for its connections with South Africa.

Some at the United Nations, particularly those from nonaligned countries, argue that the Soviet Union has not so much actively and decisively forced a radically anti-Western agenda at the United Nations as it has taken advantage of the anti-Western sentiments of the Third World countries.

Whatever the case, studies of voting patterns show that there is what one analyst has called an "overwhelming disparity" in the rate with which the United States and the Soviet Union gain non-aligned support for their policies.

The analyst, Richard L. Jackson, said in a recently published book, "The Nonaligned, the UN, and the Superpowers," that the nonaligned nations voted with the Soviet Union an average of 83.4 percent of the time in the 1982 General Assembly. The same group voted on the average only 20.4 percent with the United States.

Delegates have also pointed out that official Soviet analyses of the Nonaligned Movement place heavy stress on Western guilt and responsibility for the problems of underdevelopment. In his book, Mr. Jackson cites an official Soviet press commentary in January, saying that "99 percent of the misfor-

tunes which the member states of the NAM are suffering from are the result of the policies of imperialism, racism and Zionism."

At the United Nations, the Russians maintain by far the largest mission, with 111 listed diplomats. It is nearly twice the size of the U.S. mission. The Russians have nine diplomats of ambassadorial rank, a sign, some delegates say, of the importance Moscow attaches to the organization.

Delegates say that the Russians, many of whom speak English and other languages fluently, are very active and smooth socially, appearing at virtually all of the parties and receptions that are a common part of diplomatic life.

"The Soviets as a people are much friendlier than the Americans here at the UN," said Giovanni Gonthier, the delegate from the Seychelles, "which is not the way I thought it would be."

Uphill Détente for Arabs and Jews in Israel

(Continued from Page 1)

lages, where they have organized exchanges with schools and other institutions in Jewish towns.

Neve Shalom, a small settlement between Jerusalem and Tel Aviv made up of Jewish and Arab families who have chosen to live together, conducts workshops in which Arab and Jewish high school students discuss their attitudes about each other.

But many working in the field are plagued by resistance or indifference to their fledgling efforts at fostering Arab-Jewish understanding. On the Education Ministry, neither the Israeli government nor the organized American Jewish fund-raising apparatus appears to have given much support.

While the government has poured millions of dollars into settling Jewish militants on the West Bank with full utilities, paved roads and housing, the mixed Arab-Jewish settlement of Neve Shalom has received virtually no public assistance. It has only a poor road out.

Alouph Hareven of the Van Leer Institute in Jerusalem has met only frustration in trying to fund weekly, 30-minute educational television program to promote Arab-Jewish tolerance. "TV has an im-

mediate, widespread impact" he said. "My great disappointment is with the United States, both government and Jewish establishment."

The United Jewish Appeal, which sent about \$300 million to Israel last year, would not provide \$300,000 a year for the program, according to a letter from Irving Bernstein, executive vice chairman. It quoted the appeal's lawyer as saying that the educational program "is not, in my opinion, suitable for UJA involvement."

A spokesman for Stanley B. Horowitz, the United Jewish Appeal president, said in New York: "In the instance cited by Dr. Hareven we felt the program was beyond the scope of resources and our mission at the time." He said that Mr. Bernstein did try to encourage interest in the proposal "among other sources of funding."

Mr. Hareven said the U.S. Agency for International Development had also turned him down. "The United States can find billions of dollars to help military establishments in the Middle East — and I'm not speaking only of Israel," he said. "It cannot find enough millions of dollars to help an educational program that has far-reaching implications for the future."

Only the American Jewish Committee has given anything, he said, but it was too little for the program. Interns for Peace has had mixed experiences in organizing class visits by Arab and Jewish fifth-graders and 11th-graders to each other's schools. In Kiryat Ata, a Jewish town, the fifth-grade program has been diminished this year because of the unwillingness of a teacher, whose husband is in the governing Likud bloc, to participate, according to an intern.

In another Jewish town, Pardes Hanna, a project to get Arab and Jewish youngsters together to help

build a playground failed when a businessman who financed the adjoining community center refused to allow it, according to Rabbi Bruce Cohen, director of Interns for Peace.

According to Susan Bandler, 24, of New York, a project to get Arab and Jewish teenagers together began well, but then the Jews dropped out. Two days were spent in the Arab village of Tamra and two days in Kiryat Ata, working, playing games and visiting each other's homes. But when a meeting was called to plan further activities, she said, "the Jews didn't show up."

Walid Sadik, an Arab social studies teacher in Taibe, said he had seen Jewish visits to Arab schools end in disaster. "The kids argue, and the Jews don't invite Arab kids back," he said.

Rabbi Cohen acknowledged the dangers, but explained that successful school exchanges had developed standard techniques in recent years. Joint activities have worked better than dialogue, which can degenerate into political polemics, he said.

"True, we are only building personal relationships," said Rabbi Cohen, a 38-year-old

AMERICAN TOPICS

Reagan Courts Jewish Voters

Concerned about improving White House ties to Jewish voters, whose support for President Ronald Reagan has dropped sharply since 1980, the administration has named a new liaison official, Marshall J. Beger, a lawyer and a fellow at the conservative Heritage Foundation, will spearhead the White House's links to the Jewish community in a job upgraded from that of associate director of the office of public liaison to assist to the president.

On the campaign side, the Reagan-Bush re-election committee has named Levi Rabinowitz, a New York political consultant, as its full-time director for Jewish voters. Part of his job will be to increase voter awareness of the National Republican Jewish Coalition.

An estimated 40 percent of Jewish voters cast their ballots for Mr. Reagan in 1980, but recent polls indicate that he has lost half of that support. Discontent with the president's Middle East policies is a key factor in the diminished support, according to Jewish leaders.



Harold Stassen

Stassen Is Back For '84 Campaign

Harold Stassen, a former governor of Minnesota who first sought the Republican presidential nomination in 1948, has entered the 1984 New Hampshire primary. He issued a statement calling for "a new creative center program for world peace" and domestic policy changes aimed at full employment. "I hold that America has had seven years of bad politics at home and abroad," the 76-year-old lawyer said.

Americana

The Berkeley, California, City Council's refusal to recite the Pledge of Allegiance before meetings has cost it a seat on a board that will decide how to spend \$12 million in federal job training funds. Deputy Mayor Gilda Feller called the board's 11-2 vote not to give the city a seat "a shameful act."

The "dump Berkeley" drive was led by Charles Santana, an Alameda County supervisor. The Alameda County Training and Employment Board-Associated Community Action Program decides where and how the job and community assistance funds will be used. About \$660,000 is slated for Berkeley, and now the city won't have any control over it.

Mr. Santana argued at a stormy meeting Wednesday night that a city that will not honor the flag does not deserve federal funds.

Tourists Flood Wine Valley

Visitors lured by winery tours and tastings are flocking to the Napa Valley, north of San Francisco, making the wine-producing region California's most popular tourist attraction after Disneyland. Their ranks have been swelled by a prime-time soap opera about a wine-making dynasty, "Falcon Crest," which stars Jane Wyman, President Reagan's first wife.

Local officials worry that the tourist cars that choke the valley's main road, particularly on weekends, are altering the small-town ambience of the communities dotting the valley. Indeed, gourmet food stores, boutiques and expensive restaurants are replacing more homey hardware stores and groceries, and real estate prices are soaring.

State Department Gets Reform Team

The State Department has named seven of its most experienced Foreign Service professionals to a new and unusual management team in charge of reforming its operations and staffing. Heading the team is the undersecretary for management, Ronald L. Spiers, former ambassador to Pakistan and assistant secretary in charge of intelligence and political-military affairs.

Also aboard are Alfred L. Atherton, former ambassador to Egypt, special Middle East negotiator and assistant secretary for Near East and South Asian affairs, as director-general of the Foreign Service; William C. Harrop, most recently the U.S. ambassador to Kenya, as inspector-general; and Robert M. Seyre, former ambassador to Brazil, as head of the Office for Combating Terrorism. Others are Stephen Low, a former ambassador to Nigeria, named director of the Foreign Service Institute; Willard A. De Pree, former ambassador to Mozambique, named the director of management operations and chief of the State Department's policy priorities group; and Robert E. Lamb, former administrative counselor in the Bonn embassy, now the assistant secretary for administration.

Foreign Tourism In U.S. Declines

For the second year in a row, the United States has experienced a decline in the number of foreign tourist arrivals. Meanwhile, travel by Americans going to other shores grew by 7 percent. One factor is the strong dollar, a delight for Americans traveling overseas but a financial wet blanket for foreign visitors.

The United States Travel and Tourism Administration said that 24.6 million Americans went abroad during the year. But inbound foreign tourism dropped by 2 percent to an estimated 21.6 million arrivals, said the government agency, a division of the Commerce Department.

One of the United States' major travel attractions in 1984 for both domestic and foreign visitors will be the 1984 Louisiana World Exposition, a six-month event in New Orleans that opens May 12.



Roberto Viola, a former Argentine president and army commander, appears outside a military tribunal in Buenos Aires. He was arraigned Thursday on charges related to the disappearances of thousands of Argentines in the 1970s.

3 More Former Leaders Arraigned in Argentina

United Press International

BUENOS AIRES — Former President Leopoldo Galtieri and the two other members of the military junta that initiated the Falklands war were arraigned Friday for court-martial on charges of murder, torture and kidnapping.

Three other former junta members — former presidents Roberto Viola and Jorge Videla and a former navy commander, Armando Lambruschini — were arraigned Thursday.

Those arraigned Friday — Brigadier General Basilio Lami Dozo, the former air force chief, Admiral Jorge Anaya, the former navy commander, and General Galtieri — face separate court-martial for their roles in the defeat by Britain over the Falklands.

In all, nine former junta members are being court-martialed on orders from President Raúl Alfonsín. He has said the commanders bore the greatest responsibility for the disappearance and presumed death of thousands of Argentines during the military's war against suspected terrorists in the mid-1970s.

To avoid future abuses, Interior Minister Antonio Troccoli said Thursday that he would form a

special anti-terrorist unit to combat extremists in legal ways.

General Galtieri and Admiral Anaya face penalties ranging up to the death sentence in another military trial yet to be held that will determine responsibility for the Falklands debacle.

Admiral Anaya is believed to be the commander most directly responsible for pressuring General Galtieri to launch the April 2, 1982, invasion of the islands, which are known here as the Malvinas. The navy under Admiral Anaya was largely ineffective during the war, but the air force, headed by General Lami Dozo, was considered to have performed courageously.

Mr. Alfonsín, who took office Dec. 10, opened the way for the military trials Tuesday by signing a bill, approved overwhelmingly by the parliament, that abolished an amnesty for the military signed by the outgoing president, General Reynaldo Bignone.

General Bignone, who was exempted from the military trials, was ordered to appear to court Thursday in a separate case, an investigation into the disappearance of a technician. But he excused himself in a note, saying his wife was ill.

U.S. General Takes on Latin Policy Role

By Loren Jenkins

Washington Post Service

PANAMA CITY — General Paul F. Gorman, who as the commander of the Southern Command oversees U.S. military aid and defense commitments from Mexico to Tierra del Fuego, has sought to keep a low public profile since taking up his post in May.

Refusing to give interviews or to accept invitations to receptions in the Latin capitals to which he regularly travels, General Gorman is more talked of than actually heard of.

But in Central America, the region of his command's major focus, General Gorman has begun to emerge not only in military but in political spheres.

In a region where the military rules or is likely to be the power behind the presidency, a U.S. general who dispenses arms and commands military advisers often wields authority with governments.

What is surprising, however, is that, after six months in the post, General Gorman, 56, has begun to appear to many as Washington's virtual proconsul to the area, frequently overshadowing ambassadors and at times overruling them.

"There is no question that Gorman is playing a major role in Central America," said a U.S. ambassador. "After all, he is the man with all the goodies — the military programs — they all want."

Because the Reagan administration has made security a "central component" of its foreign policy in Central America, a senior State Department official said, "It is the man who has ultimate responsibility for that key component who's going to have a big role to play within that policy."

A much-decorated veteran of the Korean and Vietnam wars, General Gorman served as a staff member in the Vietnam peace negotiations in Paris, did a tour with the CIA and, most recently, was an assistant to the chairman of the Joint Chiefs of Staff.

"The general is not just an implementer," said a staff officer at the command headquarters along the Panama Canal. "He is a conceptualizer, a strategic thinker."

General Gorman is said by those who work with him to take the military view that force must be met with counterforce if U.S. strategic interests are to be protected in Central America.

But General Gorman is said to favor using Central American military force rather than that of the United States whenever a counterweight is mustered, whether against the revolutionary Sandinista regime in Nicaragua or the Marxist-led guerrillas besieging the U.S.-supported government in El Salvador. "What General Gorman stands for is the Central Americanization

of any intervention," said a U.S. military attaché. "He believes that if the Marxists are going to be defeated here they're going to have to be defeated by the Central Americans themselves. His position is that the way to win in Central America is to upgrade the region's own military through training, military assistance and increased regional military coordination and cooperation."

It is that effort to form a better and more coordinated pro-U.S. military alliance in Central America that has brought General Gorman into the limelight. He has tried to avoid. His efforts have brought criticism from many Central Americans and some U.S. officials who say he has overstepped his role.

In August, he met with the defense ministers of El Salvador, Guatemala and Honduras on the aircraft carrier Ranger off Honduras to urge the ministers to revive a Central American Defense Council. Known by its Spanish abbreviation

as Condeca, that had been inactive since Honduras and El Salvador fought a brief war in 1969. The idea behind the revived council, U.S. military sources said, was to create a military alliance that could face down Nicaragua.

Two days after the meeting, General Oscar Mejia Victores, the Guatemalan defense minister, toppled President Efraín Ríos Montt, who had shown little interest in joining such an effort.

U.S. officials denied that the meeting on the Ranger had anything to do with the overthrow of General Ríos Montt. But Central Americans, long suspicious of U.S. meddling in their affairs, were quick to allege a connection.

General Gorman met on Oct. 1 with the same generals in Guatemala City. He joined this time by General Antonio Noriega, the commander of the Panamanian National Guard.

The meeting in Guatemala City

triggered a dispute between the State Department and the Pentagon. When the U.S. ambassador to Guatemala, Frederic L. Chapin, heard that General Gorman planned to attend the meeting as an "observer," he reportedly protested to Washington that it would be impolitic since the United States had no official role in Condeca.

General Gorman and the Pentagon are said to have insisted that he should attend. According to a State Department source, the incident has caused Mr. Chapin to fall out of favor with the White House.

"What we are seeing is the ongoing Pentagon-State Department tug-of-war on Central American policy," a U.S. diplomat said. "Unfortunately for us, Gorman is much more powerful and influential than any previous southern commander. And that means that with him the Pentagon has a voice down here that is as strong as, probably stronger than, ours."

Astronomers Find Something Big

It May Be 10th Planet, a Comet or Even a Galaxy

By Thomas O'Toole

Washington Post Service

WASHINGTON — A heavenly body possibly as large as Jupiter and possibly so close to Earth that it may be part of this solar system has been found by an infrared astronomical satellite, or IRAS.

So mysterious is the object that astronomers do not know if it is a planet, a giant comet, a nearby "protostar" that never got hot enough to become a star, a distant galaxy still in the process of forming its first stars, or a galaxy so shrouded in dust that none of its light ever gets through.

"All I can tell you is that we don't know what it is," said Dr. Gerry Neugebauer, IRAS chief scientist for California's Jet Propulsion Laboratory and director of the Mount Palomar Observatory for the California Institute of Technology. The IRAS observatory, an \$80-million venture sponsored by the United States, Britain and the Netherlands, was launched in January.

The most fascinating explanation of this body, which is so cold it casts no light and has never been seen by optical telescopes on Earth or in space, is that it is a giant gaseous planet as large as Jupiter and as close to Earth as 50 billion miles (80 billion kilometers). That is a stone's throw

in cosmological terms, so close that it would be the nearest heavenly body to Earth beyond the outermost planet of the solar system, Pluto.

"If it is really that close, it would be a part of our solar system," said Dr. James Houck of Cornell University's Center for Radio Physics and Space Research and a member of the IRAS science team. "If it is that close, I don't know how the world's planetary scientists would even begin to classify it."

The body was seen twice by the IRAS satellite as it scanned the northern sky from last January to November; at that point, the satellite ran out of the super-cold helium that allowed its telescope to see the coldest bodies in the heavens. The second observation took place six months after the first and suggested the mystery body had not moved from its spot near the western edge of the constellation Orion.

"This suggests it's not a comet because a comet would not be as large as the one we've observed and a comet would probably have moved," Dr. Houck said. "A planet may have moved if it were as close as 50 billion miles, but it could still be a more distant planet and not have moved in six months' time."

When IRAS scientists first saw the body and calculated that it could be as close as 50 billion

miles, there was some speculation that it might be approaching Earth.

"It's not incoming mail," Dr. Neugebauer said. "I want to do some idea with as much cold water as I can."

Then what is it? What if it is as large as Jupiter and so close to the sun it would be part of the solar system? Conceivably, it could be the 10th planet astronomers believe to exist and have searched for in vain. It also might be a Jupiter-like mass that started to become a star but never got hot enough.

While they cannot disprove that notion, Dr. Neugebauer and Dr. Houck are so bedeviled by it that they do not want to accept it. The two scientists hope the mystery body is a distant galaxy either so young that its stars have not begun to shine or so surrounded by dust that its starlight cannot penetrate the shroud.

"I believe it's one of these dark, young galaxies that we have never been able to observe before," Dr. Neugebauer said. "If it is, then it is a major step forward in our understanding of the size of the universe, how the universe formed and how it continues to form as time goes on."

The next step in pinpointing what the mystery body is, Dr. Neugebauer said, is to study it with the world's largest optical telescopes.

Warsaw May Postpone Food Price Increases

The Associated Press

WARSAW — Food price increases that were widely expected until February, a government source said Friday, the move appeared to reflect concern over public opposition.

A source at the Price Ministry, who asked not to be identified, said the increases might be delayed even further. Ministry officials refused to confirm the statement.

"As you know, the boost was planned for Jan. 1, 1984, but it was shifted to an unknown date," the source said.

"It's obvious that it cannot be done in the middle of the month, since the price increases concern rationed products," the source said.

"Nothing will happen until February 1984."

The increases, which would raise the cost of living by 10 to 15 percent, have been subject to public "consultation" since being announced in mid-November.

Ramping up to a proposed 40 percent rise in the cost of low-fat butter, they have drawn opposition from underground leaders of the banned independent union Solidarity and from the new unions formed after the banning of Solidarity.

The government of General Wojciech Jaruzelski has shown caution over the proposals. Price increases of up to 200 percent passed without opposition during the strict, early days of martial law in February 1982. Price increases



Lech Walesa

caused riots in 1970 and 1976 and led to the protests in 1980 that spawned Solidarity.

Walesa is interrogated. Police interrogated the Solidarity leader, Lech Walesa, for more than two hours about an underground union meeting last month, but he said it would not stop him from meeting with outlawed union members again, according to The Associated Press.

Private Catalan TV Station Ends Spain's Government Monopoly

By John Darnton

New York Times Service

BARCELONA — When J.R. of "Dallas" was shot on television here not so long ago, most viewers did not realize it but the event marked the end of a significant era for Spanish television. What ended was the government's monopoly of the medium.

The autonomous region of Catalonia has begun its own television. The station broadcasts over northeastern Spain entirely in Catalan, the widely spoken regional language.

Catalian, which is what the rest of the world knows as Spanish, is the national language and is used by both of the state-run television channels based in Madrid.

The start of TV 3, as the station will be called, is seen as the key to a cultural revival of Catalonia. The station's directors say it has encountered resistance in Madrid, perhaps because it is feared as a vehicle for Catalan nationalism.

Symptomatic of its aggressive programming, the regional station has acquired the rights to broadcast the third year of the "Dallas" series, the popular American drama that was dropped by the national network just as J.R. was shot.

On a trial run Sept. 10, the opening episode was broadcast, the one in which the identity of the culprit was revealed. Because Catalan television has an exclusivity clause in its contracts, the national network could not broadcast the material even if it purchased it.

In theory, this means that Catalans know who pulled the trigger on the scheming Texas millionaire, while 31 million other Spaniards are still in the dark.

As its name implies, TV 3 is

intended as a competitive alternative to the two national channels. The programming scheduled in January is a mix of news, American serials and fare from the BBC, such as the 37 plays of Shakespeare. All of it is dubbed into Catalan. The intent is to draw as wide an audience as possible among the region's 6 million people.

"We're going to break the state monopoly on TV," said Alfons Quintà, the general director of TV 3. "They're afraid of us. They know they're very bad professionals and so they can't stand the competition."

Leaders and politicians here see the new station as an essential instrument for insuring the survival and spread of the Catalan language, which the Franco dictatorship tried to eradicate.

For nearly 40 years it was illegal to speak Catalan in public gatherings, classrooms and government offices, or even to engrave it on tombstones.

With the advent of democracy and limited autonomy, the tables turned. Now, local laws mandate the use of Catalan in public schools, and a huge publicity campaign is under way to promote it as the language for business and public affairs. There is a large population from other parts of Spain living here, reaching as high as 40 percent, that does not speak the language.

To help the television widen the use of Catalan, the autonomous government has provided the budget of \$32 million in start-up costs. The staff numbers 125, including 23 news reporters. A lavish new headquarters is scheduled for completion toward the end of 1984. The goal is to start by broadcasting 12 hours a week and to reach 70 hours a week after 10 months.

Catalonia is not the only region setting up its own television. The Basque country in the north, where nationalism runs even deeper and where extremists turned to terrorism years ago to try to wrest away a separate nation, has also constructed its own station to broadcast in Euskara, the Basque language. But Euskara, a complicated tongue, is by no means spoken by all Basques.

According to Mr. Quintà, groups from other regions have come to look over his operation with a possible eye to starting their own. He said the regions included Andalusia, Galicia, Valencia, the Balearic Islands and even Madrid.

The central authorities, the new Socialist government, have reasons enough to look askance on the Cat-

alan project. Traditionally, central governments have been wary of regionalism, especially from proud, rambunctious and powerful Catalonia, which is the leading industrial center.

In addition, the Socialists' election program, while it has little to say about television run by autonomous governments, is against privately run television channels.

Mr. Quintà said executives from the national network had been less than cooperative, and so he turned to U.S. and French consultants to set up the new station.

He said that import licenses for equipment had been delayed, that permission had been denied for a TV 3 camera inside the Cortes, Spain's parliament, and that the

Shultz Will Meet Gromyko

(Continued from Page 1)

diak of The Washington Post reported from Bonn.

At the previous Madrid conference on security and cooperation in Europe, which ended in September, the Soviet Union was placed on the defensive by Western and non-aligned countries urging the adoption of human rights measures and the relaxation of restrictions on the flow of people and information across borders.

The Stockholm meeting, however, will focus on ways to reduce the risks of war. In that forum, the Soviet Union may find support among nonaligned and even NATO countries for such ideas as nuclear-free zones and a nuclear weapons freeze that the Reagan administration opposes.

West German officials said they expected the Soviet Union or one

of its allies to suggest a nuclear-free "corridor" in central Europe that would seek to ban nuclear missiles from East and West Germany as well as Czechoslovakia. That concept has already been endorsed by West Germany's Greens party.

The Soviet Union and Warsaw Pact nations are also expected to press for other security measures that have elicited mixed responses in the West, such as "no first use" of nuclear weapons and the mutual renunciation of military force by the East and West blocs.

"Stockholm is not going to be easy for the West," said a Foreign Ministry official in Bonn. "At Madrid, we all had the same views about human rights, but the nuclear and security issues will raise complications for several NATO allies."

First Pershing-2s Reported Ready

The Associated Press

BONN — The first nine of 108 Pershing-2 nuclear missiles in Western Europe are "ready for action," the West German Defense Ministry confirmed Friday.

Peter Kurt Wuerzbach, the No. 2 official in the ministry, said, "The first American battery of nine Pershing-2 rockets is ready for action in West Germany."

He said the missiles "would be immediately dismantled and destroyed if the Soviet Union agreed to a verifiable and comparable step in arms negotiations." In addition to the Pershing-2s, West Germany is also to receive 96 cruise missiles.

Delay Sought in U.S. Benefit Increase

By Spencer Rich

Washington Post Service

WASHINGTON — President Ronald Reagan will ask Congress in his upcoming budget to postpone next June's scheduled cost-of-living increase in U.S. retirement benefits until Jan. 1, 1985.

Inflation adjustments would be made each Jan. 1 thereafter. About 3.2 million retirees, both civilian and military, would be affected.

The government would save several hundred million dollars over the next several years, while the average Civil Service retiree would lose about \$350 in 1984 income, assuming a 5-percent rate of inflation.

The administration is also readying a plan to pay less than a full cost-of-living increase each year to retired civil servants in the upper benefit brackets. They would get a full cost-of-living increase on some base benefit amount, perhaps the first \$10,000 a year. On the excess, their inflation allowance would be reduced.

Representative John N. Erlenborn, Republican of Illinois, who proposed such a shift in August, said Thursday, "I know the Office of Management and Budget is interested, and the Office of Personnel Management as well. We've been working with them."

Mr. Erlenborn's proposal would pay a full cost-of-living increase on the first \$10,000 a year in military and Civil Service benefits, but only 60 percent of inflation allowance on amounts above that.

Administration sources confirmed Thursday that a cutoff plan similar to Mr. Erlenborn's is expected to be included in the fiscal 1984 budget proposal, but they said it would not necessarily use the same \$10,000 or 60 percent figures.

According to government records, there are about 1.8 million people receiving Civil Service retirement benefits as annuities or survivors, and more than 800,000 get \$10,000 a year or more. The average annuitant gets nearly \$12,500 a year. So if \$10,000 were used as the cutoff, it would affect a large minority of beneficiaries. There are about 1.4 million persons receiving military retirement pensions, and about 800,000 receive \$10,000 a year or more.

Edwin L. Dale Jr., the spokesman for the Office of Management and Budget, confirmed Thursday that the administration would seek the 1984 cost-of-living postponement. He recalled that last year a one-year postponement had been requested but not enacted.

He said the administration, in effect, was concurring in a vote by the House earlier this year to delay both the next civilian and military cost-of-living increases from June 1, 1984, to Jan. 1, 1985.

Although the House did vote for the postponement and the Senate

Budget Committee also approved it, it never passed the Senate, and sources said Thursday that its future was unclear.

U.S. civilian and military retirees last received a cost-of-living adjustment in April. It was 3.9 percent for Civil Service retirees and older mil-

itary retirees. Military retirees under 62, however, got 3.3 percent.

Capitol Hill sources said the postponement could reduce military and Civil Service pension outlays by \$520 million in fiscal 1984, \$810 million in fiscal 1985 and \$1.4 billion in fiscal 1986.

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INTERNATIONAL Herald Tribune

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Who Runs the Kremlin?

As if to mock Orwell's omnipresent Big Brother, the Soviet Union enters 1984 with the extended absence of its leader, Yuri Andropov. The lies about his "cold" have been abandoned, but a conspiracy of silence continues to conceal the illness that made him appear deathly ill even before he ceased to appear in public altogether four months ago. Who is really in command, and is he up to it?

Of course the reluctance to concede frailty in high places is not a uniquely Soviet failing. The White House has seen many such cover-ups, even when it meant leaving an arrogant physician, protective wife or scheming aide to wield presidential power. Indeed, this paranoia of power has plagued most political systems through most of history. But in a superpower in the nuclear age it is unacceptable.

Instead of hinting delicately at some doubt about who is in charge in Moscow these days, President Reagan should be pressing the question openly, for all the world. To ask it is not impolite but a tribute to the vast power of the Soviet Union over all of us.

Why can't they admit disability? Judging by American history, there is no ready answer.

Often men of power like Woodrow Wilson and Franklin Roosevelt have spent a lifetime willing away infirmity, and they just persist in the habit. Both men embarked on death-defying missions abroad, and Wilson conspired for 18 months in denying a paralysis that left his wife running his administration.

Often, too, presidents easily persuade themselves that America's health is synonymous

with their own. Grover Cleveland was so certain he alone could avert a catastrophic depression that he organized a vast charade so as to have a cancerous growth removed in secret aboard a yacht in New York harbor. Andrew Jackson struggled on despite constant pain to defeat the Bank of the United States.

And often the failure to let someone else take charge can be traced to timid or jealous or supercilious aides. James Garfield lay dying for 10 weeks amid pretenses of recovery. The severity of Ronald Reagan's gunshot wound was disguised to avoid even a brief transfer of authority. Only Dwight Eisenhower's team gave the public elaborate accounts of his heart attack, his ileitis and his small stroke, but even like at times misjudged his capacity to resume command in case of emergency.

Military emergency in the nuclear age has a higher claim on medical truth than even the ethics of democracy. The very power that makes an impaired Soviet or U.S. hierarchy want to pretend to be functioning smoothly argues for brutal confession of a leader's infirmity. Only then can the adversary, and the millions who live in the path of the superpowers' weapons, be sure the lines of command and communication are at all times clear.

The biggest favor that Russians and Americans can do for each other when their leaders appear to be in distress is to put the awkward question without shame. Wish Mr. Andropov a speedy recovery, but demand to know: When he is indisposed, who is in charge?

— THE NEW YORK TIMES

So, Trim the Trimmings

From Frank Fahrenkopf, chairman of the Republican National Committee, comes the announcement that his party is considering reducing its 1984 national convention from four to three days. "Very frankly," Mr. Fahrenkopf warns up, "I am concerned."

In the summer of 1984, American televisioners will see the Democratic National Convention in July, the Summer Olympics a short time afterward and then the Republican extravaganza in August — "a convention where we'll likely nominate the president and the vice president." Besides (and here the cat sneaks out of the bag), "the major networks have already indicated that they are not going to give favel-to-gavel coverage."

Mr. Fahrenkopf, who was 12 years old the last time a national convention took more than one ballot to nominate a president, is recognizing an obvious truth: The conventions have become television programs. They are produced by the party's nominee and are, in effect, a kind of free electioneering — unless the nominee, like Jimmy Carter in 1980, loses control over the proceedings.

Once upon a time you could not predict with certainty how many days a convention would last. In 1924 the Democrats took 103 ballots and 17 days, all to nominate John W. Davis. As late as 1960, national convention delegates were still wearing funny hats and marching in the aisles 40 minutes at a time, not realizing that this was hurting, not helping their party's chances with the viewers back home. Now the

party managers know better. They try to schedule interesting events and speeches for prime time and to keep anything divisive to hours when few people are watching. In the process, the delegates have become the last people to know what is happening, unless they are wise enough to bring portable television sets and earphones to their seats on the floor. The conventions have become larger and larger even as their real function in American politics has become smaller and smaller.

The networks have not given us gavel-to-gavel coverage for a long time now. They usually ignore what is happening on the platform, as most people in the hall do. They seem to resist, with varying success, showing what the convention managers want on the air.

The conventions still have their uses. They are the only times when each of those mastodons and colossuses, the American political parties, gathers itself together in a single place. They show us the morale of the parties. (An alert watcher of the 1980 conventions might have guessed the outcome of that election from the venge of the Republicans and the cynicism of the Democrats.) So we are glad no one wants to abolish national conventions altogether. Mr. Fahrenkopf, as we understand him, is just not sure his party will have enough material for four evenings of free television time; he hopes the show will be better covered by the networks in three. He is not ready to declare this particular brontosaurus extinct.

— THE WASHINGTON POST

Other Opinion

Two Hands and No Kibitzers?

From India's point of view generally, and from Prime Minister Indira Gandhi's in particular, there are two ways of assessing the move to invite her to a meeting in New York with Mr. Reagan and Mr. Andropov.

It is possible to argue that Mrs. Gandhi should seize the opportunity to underscore India's rightful position in the hierarchy of world powers and demonstrate her persuasive ability in the most challenging peace-negotiating assignment that has ever come her way.

It can further be suggested that, given the spirit of understanding that exists between India and the Soviet Union, Mrs. Gandhi could use the New York meeting to arrange a Soviet return to the arms reduction talks without loss of face to them.

If all this actually happened, the non-aligned movement would have a credibility shot in the arm, while Mrs. Gandhi would feel personally pleased with her success.

In fact, the invitation amounts to little. The Soviet Union is perhaps far less anxious to resume nuclear arms negotiations, particularly the talks on medium-range weapons broken off at Geneva, than the West would like to believe. Nuclear politics is not just a naive madness, as the UN General Assembly president seems to suggest. It unfortunately is a game of poker which superpowers play.

They are, therefore, unlikely to be swayed by Mrs. Gandhi's negotiating skill, even if such a meeting took place at all.

— The Times of India (Bombay)

Nancy Reagan Seems Gase

January and February will be busy months for the Reagans, with the president expected to announce on Jan. 29 that he will seek reelection. So far Nancy Reagan has shown she can keep a secret. She has been bombarded as many times as the president for a definitive answer about his plans, but she has managed to avoid tipping his hand.

For many weeks it appeared she was reluctant to have him run again. She fears for his safety, and he is well aware of that, knowing she worries every time he leaves the White House gates. But now the first lady, who apparently has gained some weight and is looking better, seems to be adjusted to one last hurrah in the political life of Ronald Reagan. She was uneasy at first in the White House, but she seems to be at home there now.

It is doubtful that Mrs. Reagan will take on strictly political appearances without her husband. But she will be traveling in support of her own main cause — helping young people avoid drug and alcohol addiction, and she will be projecting the image of a caring first lady.

— Helen Thomas (UPI)

FROM OUR DEC. 31 PAGES, 75 AND 50 YEARS AGO

1908: Some Fade With the Old Year

LONDON — The "Daily Graphic," dealing with the story of 1908, observes: "The year which has seen the German Emperor muzzled and Mr. [Theodore] Roosevelt issue his last Presidential message, which has witnessed the political extinction of the Sultan Abdul Hamid and the passing of the Empress Tsi Hsi, has not dealt niggardly with its dramatic personae." The "Morning Leader" takes the view that for most of us the closing year has not been propitious. "The great boom of the early years of the century is over," the London daily continues, "and trade has been depressed throughout the world. The American crisis has aggravated the reaction, and, with the cotton strike, the trouble in the engineering trade has swelled the rank of our unemployed."

1933: Youth Slays Romanian Leader

BUCHAREST — Martial law was proclaimed throughout Romania [on Dec. 30] after the assassination of Dr. Ion Duca, Liberal premier. Nicholas Constantinescu, the student assassin, himself narrowly escaped being murdered after he had been captured by detectives and bystanders. It was learned, Polizo Micsenesti, the premier's brother-in-law, forced his way into a room of the Sinaia railway station, where Constantinescu was being held, and fired several shots at the assassin. His aim was poor, however, and he only wounded Constantinescu slightly in the arm. The wish to do away with Duca had been alive in student circles for some weeks, Constantinescu said, because the premier was a Freemason and had "sold his country to the Jews."



'I'll raise you two discards.'



For 1984, More of the Same?

By David S. Broder

WASHINGTON — The first column of the year is the one in which to go out on a limb. I called Allan J. Lichtman of American University. In the spring of 1981 he sat down with Volodia Keilis-Borok of Moscow's Academy of Sciences, a specialist in earthquake analysis, and they contrived a formula that they said would have correctly predicted every American presidential election in the last 120 years.

So I called Mr. Lichtman and asked how things were looking for Ronald Reagan. He did not duck. "It looks very solid for Reagan, if the president remains healthy and runs for office," he said.

Recalling for me that his system had 13 key indicators, and that the incumbent party always wins unless more than five keys are against it, he said that so far only two of the keys had turned against the Republicans. Even they might turn around.

In Mr. Lichtman's view, Mr. Reagan cannot claim a major success in foreign or military policy. Also, the yearly mean per capita growth rate in real GNP has been lower than during the previous administration. But the other keys, the professor says, are all turned in Mr. Reagan's favor: Republicans did win 51 percent of the popular vote in the previous election; Mr. Reagan is (presumably) running for re-election; he did initiate major changes in national policy; he is charismatic.

Further, he does not face a serious contest for renomination; there is not what Mr. Lichtman regards as major third party or independent campaign activity; there is no election year recession or depression in the forecasts; there has not been

major social unrest; nor a major scandal; nor a major setback in foreign or military policy; nor will the opposition nominate a charismatic candidate or war hero, if the polls favoring Walter Mondale are right.

Several of those answers could change before November. But if you remember that Mr. Lichtman's theory re-elects Mr. Reagan unless more than five keys are turned against him, the theory makes it "very difficult for Reagan to lose."

Having pushed the professor out to the end of the limb, I will avoid the temptation to saw it off behind him. I'll just quietly tip toe home, leaving this note on a stump:

Dear Allan: In my heart I'd like to be out on that limb with you, but as an objective journalist I cannot indulge in sensational predictions. Privately, I like Mr. Reagan's chances, too, but for different reasons than the ones you cite. I think he has got a lot of things going for him. For example: Yuri Andropov. Critics say Mr. Reagan is the first president since Herbert Hoover not to meet the head of the Soviet Union, but no president can be blamed for not holding a summit with a man who is not there. If Nikita Khrushchev were still around, Mr. Reagan might be in trouble, but compared to Mr. Andropov Mr. Reagan is a steady worker and highly accessible to the press and the public.

Congress. Next to running against Yuri Andropov, running against Congress is Mr. Reagan's surest winning play. Congress also

doesn't come to work much. When it does, people wish it didn't.

The deficit. The deficit is terrible. Conservatives abhor deficits. Mr. Reagan is a conservative. Ergo, Mr. Reagan's the one.

Jesse Jackson. Since Mr. Jackson entered the race, no other Democrat running for president has been able to get two minutes of television time. By the time the primaries are over most voters will believe Mr. Jackson is the Democratic candidate, because he is the only one they will have seen. If the Democrats fail to nominate Mr. Jackson there will be a voter rebellion. Likewise if they do.

Walter Mondale. Mr. Mondale is ready, he says. He is ready to defend the Carter administration, the AFL-CIO, the teachers' unions, the Great Society and even welfare spending. With a defense like that, who needs an offense?

John Anderson. The white-haired, righteous one, buoyed by his success in finishing third in 1980, is starting a new party in 1984. Polls say three of every four votes that he draws would otherwise go Democratic. With enemies like that, who says a president needs friends?

Television. This is the greatest invention ever, a process that converts a pattern of electronic dots on an orthon tube into an image capable of convincing people there really is a President Reagan. It comes when he beckons, leaves when he frowns, and when he looks stumped, its handyman asks, "What would you like for Christmas, Mr. President?" With a machine like that, who needs an organization?

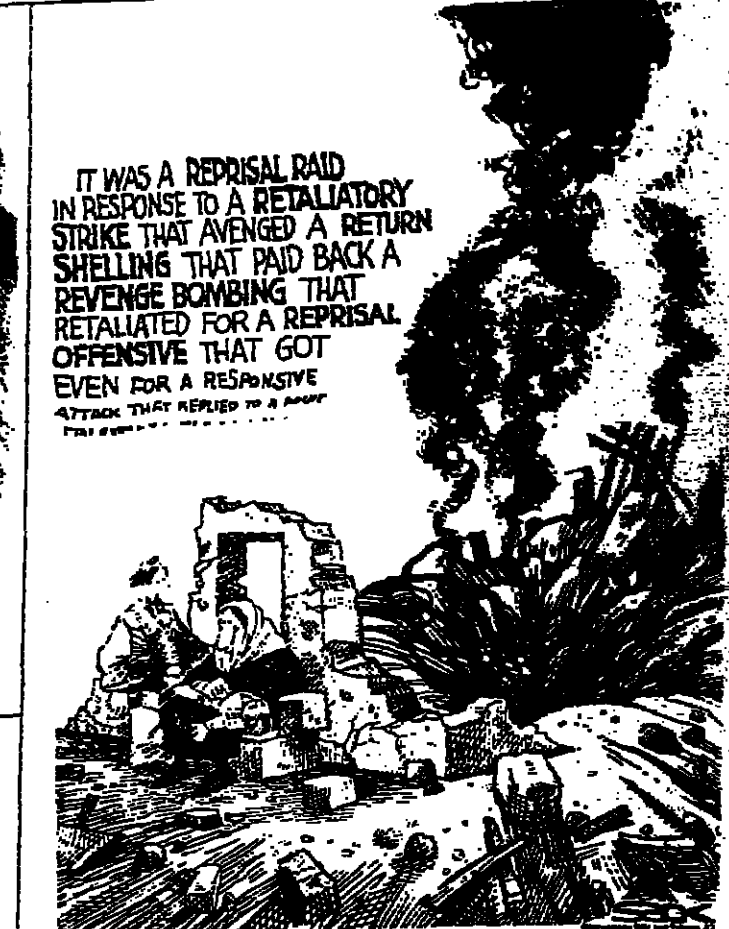
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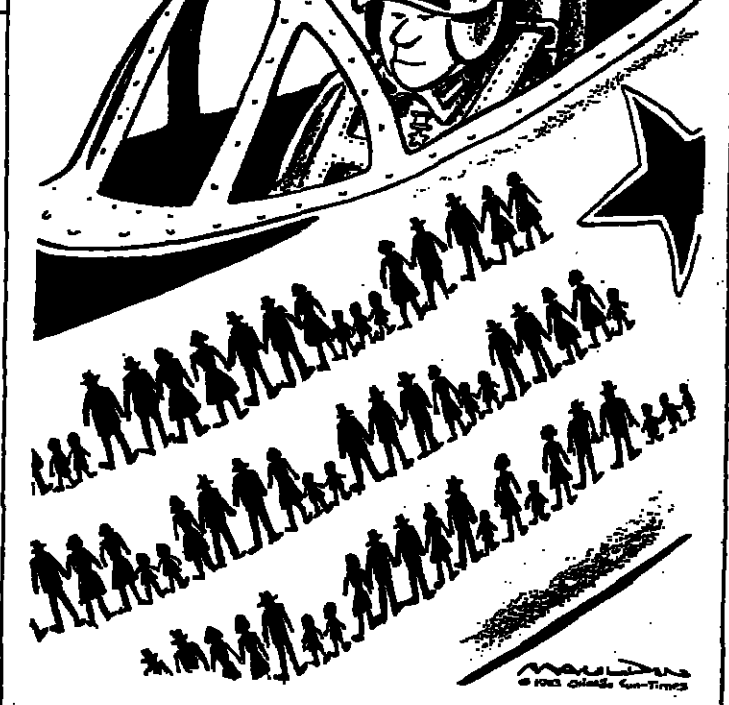
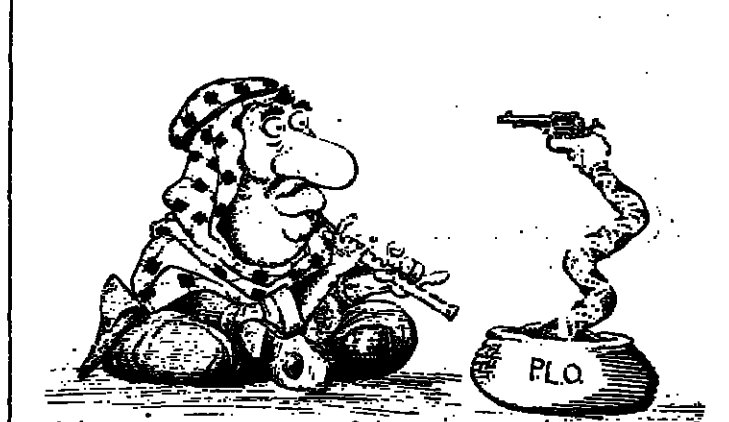
'This will be followed later by corrections and official explanations of what he meant to say.'



'Secretary of State Shultz has requested that El Salvador clean up its act — so don't bleed.'



Contrary to popular opinion, there is a vast nuclear freeze movement in the Soviet Union: the silent majority.



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ARTS / LEISURE

Paris: Dolls, Figures From 5 Continents

By Michael Gibson

International Herald Tribune

PARIS — There is a rudimentary Brazilian doll made out of two inches of some animal's leg bone, with a pigtail down its back and two minute wax breasts. There are elaborate Japanese dolls with refined painted faces, a Hungarian doll made of an ear of corn, an Algerian doll of brightly colored cloth seated astride a goat's jawbone (complete with teeth) that somehow manages to evoke a camel, modern Western dolls representing little ladies and their wardrobes, and many more, made of rags, bamboo, clay, leather, wax, tin, porcelain, plastic, assembled to illustrate the surprising human need and ability to shape our own solemn, cuddly or playful likeness out of practically anything. In all, about 850 dolls from five continents are assembled in an unusual, colorful show at the Musée de l'Homme (Place du Trocadéro, through April 15).

A doll is such a familiar object of everyday life that one may be surprised at the sober, studious attention that the catalog of this show gives them. More often than not they belong to the tender intimacy of family life, where the sterner realities of society do not intrude. But this is not always the case, and the subject turns out to be more intricate than one might expect.

The show, however, is simply and attractively presented and the big white cases filled with a wealth of colors and materials could remind one of a vast collection of butterflies.

Even a cursory glance reveals the delightful inventive playfulness called forth to please children or gods — for dolls are not only made to keep girls and boys quiet at night or happy in their games, they also serve magic or ritual purposes, though that sort of description is a simplification. In some regions of Africa a woman who has no children will carry a doll intended to



Cornish doll, Hungary.

produce fertility, while one magnificent stylized wooden figure belonging to the museum was carried by a woman in Ghana who wanted her children to be beautiful. This is not just superstition, but a way of giving physical expression to an intimate need. In southern India certain dolls are thought to have curative powers. Others, elsewhere, teach children: A collection made for Eskimo boys comes with carefully reproduced weapons and hunter's tools.

Some dolls serve specific cere-

monial purposes. This is the case of the extraordinarily refined, elaborate figurines made in Japan for the annual boys' day and girls' day celebrations. Others now stand as a record of the way people dressed in other times or places.

This great assembly of little people is a charming, surprising survey of the uses made of the human figure outside the field of art — in that undefined area where magic, ritual and children's games meet and merge.

The Musée de l'Homme, in the same building as the Musée de l'Homme, contains a splendid array of objects, paintings and even a few small seagoing vessels, some of them carved and gilded, in its permanent collection. It is currently host to another ethnological exhibition, which under the title "Le Masque au long cours," offers an interesting selection of masks and objects from New Guinea, through Feb. 27. These masks were brought to the attention of the Western world by seafarers and first arrived in Europe as trophies and souvenirs three centuries ago.

The catalog is a selection of essays by anthropologists and reveals the less obvious intentions of the exhibition — to invite visitors to dwell on some aspects of life in their own societies by observing the significance of the mask in other societies, its function in social play and in the consolidation of social structure.

Today, mainly thanks to the thoughtful work of anthropologists, we are beginning to have a different perception of art and ornament, although the run-of-the-mill buildings in modern cities still show traces of the trauma inflicted by the ideas of the likes of Loos.

The show is combined with a section for the young, intended to give some notions of what masks are about and how they are made. This includes regular sessions of face painting as well as creation of, and play with, masks.

Chana Orloff, born in Odessa in 1888, died during a visit to Israel to attend a retrospective exhibition of her work on her 80th birthday in 1968. She was one of the outstanding women sculptors of her age — and it was an age in which it was not easy for a woman to be a successful sculptor.

Not only did she have an impeccable sense of form, she also had a vivid perception of the meaningful nuance and a keen sense of humor that expressed itself in volumes, lines and attitudes without ever ceasing to respect the laws of artistic necessity.

She was a fashionable Parisian portraitist in the 1920s, but nothing in her work suggests a "society" portraitist. Her busts tend to pre-



Figure from Madagascar.

sent her subjects as types. They do not attempt to penetrate nuances of character in-depth but rather to communicate something immediate and striking in a theatrical sense. The surfaces of her sculptures are generally smooth and the planes at first seem surprisingly simple, but they are full of clever inflections and nothing mechanical commands their shape.

An excellent collection of works by this outstanding artist is on show at the Galerie Valois (41 Rue de Seine, through Feb. 16).

Other exhibitions of interest include a handsome collection of about 370 archaeological and artistic items presenting 100 centuries of civilization in Syria, "An Pays de Baal et d'Astarté" at the Petit Palais (through Jan. 8); the rightly famous Goulandris Collection of Cycladic art at the Grand Palais (through Jan. 8); Leonetto Cappiello, the prominent and amusing poster artist of the prewar period in France, who had a show last year at the Grand Palais, at the Ile des Arts gallery (66 Rue Saint Louis en l'Île, through Jan. 15); posters of a slightly earlier period (1885-1900) at the Galerie d'Europe (9 Rue Dante, through Jan. 15); tapestries after designs by Folon at the Galerie Robert Four, (28 Rue Bonaparte, through Jan. 15); Tsai, whose kinetic work is one of the attractions at the "Electra" exhibition (Musée d'Art Moderne de la Ville de Paris), showing other work at the Denise René Gallery (196, Boulevard Saint-Germain, through Dec. 31); the Nikolenko Gallery (220 Boulevard Saint-Germain, through Jan. 14) with a collection of Russian and Greek icons from the 15th through the 19th centuries; and Janette Oeller, Japanese paintings and objects representing animals (26 Place des Vosges, through Jan. 8).



"A Funeral in Wallonia," lithograph by Félicien Rops.

Brussels: The Unsparring Satire of Félicien Rops

By Rona Dobson

International Herald Tribune

BRUSSELS — Félicien Rops proved a craggy morsel for the 19th-century establishment to swallow and much of his work was prudishly snatched away out of sight as being too decadent for a respectable public, even pornography. His attacks hit into targets as forcefully as the acid he used for etching, pressed home with an unsparring satire that made him powerful enemies.

He was a prolific artist and writer, and his etchings, drawings and illustrations drew constant attention. Among those who matched his ferocity of line with their own ferocity of pen and tongue he was hailed as a genius on a level with the old Flemish masters.

To celebrate the 150th anniversary of his birth, an immense and, it is hoped, definitive catalog of his output is being prepared. In the meantime, a relatively small but enlightening and absorbing selection of his work is on exhibition through Jan. 29 at the Royal Museum of Mariemont, near Charleroi. The château of Mariemont recently burned — a recurring catastrophe ever since its construction in the 16th century as a little country castle on a hill for Marie of Hungary — and a modern museum has

been built in its place, surrounded by the grandiose château grounds.

Raoul Warocqué, a contemporary of Rops, whose idea it was to convert the old château into a museum, was a fanatical collector of Rops's work. By 1892, several years before Rops died, Warocqué had amassed several hundred drawings, etchings, lithographs and bookplates by the artist. The reference library at Mariemont has a fine selection of books illustrated by Rops. Despite extensive damage to the château in fires this century, the collection, much of which was long kept elsewhere, is intact.

Scabrous cartoons, near-pornographic and ruthlessly erotic etchings of women, severely anti-clerical illustrations present what must have been a satirically clear-eyed view of life, undoubtedly the character traits that led Rops into a close friendship and mutual admiration society with Baudelaire. Alongside the cynical prods at hypocrisy and sly vice are works with awestruckly compassionate observation or a determinedly political stance.

One startlingly topical cartoon, "Order Reigns in Warsaw," has a human corpse beneath a mound bearing the legend "Liberté"; a culture descends towards the bloodied body, and in the dark sky bulky clouds form a whirlwind of

shapes, horsemen riding and slashing, bodies hanging from gallows. "It shows the Polish uprising in the mid-19th century that was put down with great cruelty by the Russian Empire," said an assistant curator at the museum, Pierre-Jean Foulon, a Rops scholar. "The artist was very aware of the political scene and always lashed out at brutality and repression."

Rops also possessed a keen awareness of the social scene. His portrait of a young woman in working clothes leaning grimly against a wall bearing the word "Grievé" is straightforwardly compassionate, entirely different from the famous nude leading a pig on a leash known as "Pornocrates," often alluded to by contemporary Belgian artists, or the scornful thrust in his drawing of a young man leaning against a wall, sick and retching, in a cholera ward while a smirking nun offers him a basket of pears and bananas. The title is "Homeopathic Nun."

Sometimes social understanding and judgmental satire combine in one work. "A Funeral in Wallonia" is at first sight a desolate scene of a country burial but Rops manages to open a chasm between genuine grief and piety, contrasting the stance of the relatives with the practiced hypocrisy in the expressions of the officiating clergymen.

Sotheby's Scores a Spectacular Advance in the Battle of the Auction Room

International Herald Tribune

LONDON — In what amounts to the biggest battle ever waged between the Big Two in the auction business, Sotheby's has scored a major victory.

The new majority shareholder and chairman of Sotheby's group board, A. Alfred Taubman, said that international sales had totaled £141 million (about \$200 million)

SOUREN MELIKIAN

since early September — a 74 percent increase over the 1982 fall season.

This leap forward is spectacular given Sotheby's disastrous plight last year. Amidst criticism of mismanagement and rumors of takeover maneuvers by a group vehemently opposed by the management, the firm seemed to be sinking. Christie's, trying to look discreetly unconcerned, could sit back and relish having taken the lead for the first time in years. This was not to last long. Christie's is now once again trailing slightly behind Sotheby's, with worldwide sales reaching £128.2 million, a 30 percent progression over last year's fall figures. It has good reason to be satisfied, but it has failed to inflict on its rival the crushing defeat that seemed to be on the cards this time last year.

There is further cause for rejoicing at Sotheby's. Taubman, a press release said, "confirmed a year-end pre-tax profit for the financial year which ended Aug. 31 of £5.1 million... a turnaround of £8.2 million within one year, from the

company's pre-tax loss of £3.1 million in the last financial year."

Can this last? Two factors combined to bring about this result. Sotheby's trimmed more than a quarter of its staff and such expendable regional branches as Los Angeles were closed down. Insiders say a lot remains to be done in New York.

With a businessman like Taubman at the wheel and his men in control — David Ward, his former chief accountant and the group's new managing director, has moved to London to be at the hub of things — I would bet on Sotheby's running a tighter ship in the United States within the next year, which may lead to some limited reduction in costs.

The other factor is the general economic upswing, which resulted, among other things, in the return of some major estates, collections or parts of collections on the auction market.

Here Sotheby's scored several times. The firm is far ahead of any of its rivals in its deftness at launching publicity campaigns and at steering the media, who only need a name and a colorful background to start beating the drums. The Hever Castle event last spring will stay as the supreme example. A handful of admirable works, mixed with a vast number of less-than-admirable pieces including, here and there, what some leading experts considered to be complete duds, was built up into an Alice-in-Wonderland tale.

This fall, there was a replay in a minor key with the medieval collection of the late Thomas Flannery of

Chicago, followed by the truly marvelous Chinese collection of Mr. and Mrs. Richard C. Bull of Philadelphia. This last campaign was not nearly as loud, because it is not as easy to roll off movie-style clichés on the early days of Shang and Zhou China as on the phony turrets of a medieval castle revived by Edwardian taste. But it worked.

Sotheby's also registered losses to the enemy — above all, the Impressionists that Paul Mellon did not want for himself or his museum donations. Here Christie's made a brilliant score — with a record price for a Manet, \$3.96 million. It is in this field of Impressionist and Modern Masters, almost certainly, that the fiercest battle will be waged in the coming year.

For the past 18 months, Christie's has capitalized on Sotheby's deteriorating image in the United States. Securing highly important works of art for their Park Avenue auction room, they entrenched themselves in a field where Sotheby's had been leading — both in the United States and England. But Sotheby's poor image was linked to a phase that is over, and Taubman's role may be pre-eminently here. The list of the new members invited to join the board leaves little doubt as to the firm's new strategy, with Taubman's enthusiastic backing.

There is Baron Thyssen Bornemisza, whose Old Master collection is one of the few, worldwide, arguably on a level with those of Old World museums. Ann Getty is modestly introduced as a "board member of museums." Carroll Petrie, wife of the department store

multimillionaire, Milton Petrie, has recently declared herself a devoted collector of 18th-century French furniture. Saji Tsutsumi, chairman of the Seibu Group, which has been playing a considerable role in the Japanese art market over the past decade, will be a powerful symbol to the Far Eastern world. Alexis Gregory, publisher of the Vendome Press, Emilio Gioia of New York City, president of IEC Properties (real estate is a field increasingly connected with art buying), Earl Smith, a former ambassador and now mayor of Palm Beach, and Leslie Herbert Wexner, founder-president of a retail operation and a museum trustee, will, to varying degrees, act like magnets on sectors of the art-owning community in the United States.

With Henry Ford II as vice chairman of the board, Sotheby's almost seems to be overdoing it on the prestige side.

It will be interesting to see what happens when the next batch of substantial Impressionists comes up for grabs, in the United States — all the more so as Sotheby's enjoys the privilege of having three experts all highly regarded by professionals in the field, David Nash in New York, Michel Strauss in London, and last but not least, Marc Blondeau of Paris, a rising star at Sotheby's.

There is a limit however, to the competition between auction houses for glamorous collections. A commission war — bringing down the vendor's charge close to zero — is fraught with danger: auction houses need the revenue.

Moreover, handling glamorous collections is costly. One can go just so far in handout catalog production, expensive cocktail parties and the like.

Pushing prices up to hysterical limits with clever campaigns geared to a collection's glamour, real or supposed, is risky for the market at large. It is all right for a unique manuscript like the 12th-century Gospels of Henry the Lion to rise to £8.14 million; this piece, seen as a national symbol, went to the West German nation, which will not be reselling it.

But many other extravagant prices are being paid by private buyers who may one day want to put their goods back on the market. Each time an object comes back, the vendor marks it up, slapping on a higher reserve price and making its sale ever more hazardous. When

increasing numbers of heavily publicized works fail to sell, a crisis develops. This, in highly simplified terms, was one of the mechanisms that precipitated the 1981-82 auction slump.

There can be no doubt about the determination of Taubman to regain the ground that Sotheby's lost to Christie's. The giant stride forward that has already been taken has, on his own admission, nothing to do with him, since he has not really played a role in Sotheby's decisions so far.

He will be tempted to leave his mark. But Christie's shrewd chairman, John Floyd, will not want to lose all of his firm's newly won positions in the United States and with the English establishment.

Neither can afford to raise the stakes very much, because the art market is so fragile.

Berlin to Get a Watteau

The Associated Press

BERLIN — For the second time in a month, the West German government and private donors have raised a multi-million-dollar sum to purchase an art treasure threatened with sale abroad.

Hermann Josef Abs, retired chairman of Deutsche Bank, announced that 15 million Deutsche marks (\$5.45 million) has been pledged to buy the 18th-century oil painting, "The Embarkation of Cythera," by the French artist Jean-Antoine Watteau.

Abs had also coordinated public and private donations for purchasing the 12th-century hand-written "Gospels of Heinrich the Lion" at a London auction Dec. 6.

The rococo-style oil painting, which will now remain in German hands, is on display at West Berlin's Charlottenburg Palace gallery, on loan from Prince Louis Ferdinand of Prussia.

The heir to the now-defunct Prussian throne shocked West Berlin's cultural community by announcing his intention to sell the painting. The money, he said, was needed to finance renovation of a family castle, the Hohenzollernburg, in the Black Forest.

The West German government and the city of West Berlin agreed to contribute 10 million marks (\$3.63 million) toward the purchase price, if private contributors could come up with the remainder.

Abs said private contributors, whom he did not identify, had pledged the necessary sums by Christmas Eve. He said the consortium would now complete negotiations with the prince to preserve the painting for West Berlin.

£12,500 Literary Prize Set for British Writers

The Associated Press

LONDON — The first Betty Trask Awards, with a first prize of £12,500 (about \$18,000), will be presented in July, the Society of Authors announced.

Trask, a British romantic novelist who died last January aged 88, left £400,000 to the society to be used for prizes to British authors under 35 for their first romantic or traditional novel. The £10,000 Booker McConnell prize had previously been the most valuable prize on the British literary scene.

Nam June Paik's TV Answer to George Orwell

By Grace Glueck
New York Times Service

NEW YORK — In his cautionary novel "1984" George Orwell wasn't kind to television. He saw it basically as a tool of the totalitarian state. But Sunday — the very first day of that prophetic year — his view will be roughly challenged by the Korean-born video artist and impresario, Nam June Paik. "Good Morning, Mr. Orwell," a live satellite-relayed program to appear Sunday on public-television stations in the United States and on FR3 in France (WDR in Cologne is contributing taped material and will transmit the program live in West Germany), is Paik's pitch for television as an instrument for international understanding, rather than an ominous means of thought control.

Paik's claim that his work is "the first global

interactive use of the satellite among international artists" needs a little explaining. Other video artists, such as Doug Davis, have employed satellite transmission, but the Paik venture is larger and more complex. And while commercial television has linked different parts of the world for informational purposes, Paik is using works designed specifically for the technology of the satellite itself to create interactive performances, linking different stages in different parts of the world, so to speak.

"Good Morning, Mr. Orwell" is essentially a global variety show, originating in the United States, France and West Germany, but its line-up of performing talent will be more familiar to Paik's avant-garde followers than to fans of network television. And while the program does not directly address Orwell's philosophy, Paik believes that in presenting established and new young talent from both sides of the Atlantic, it will "celebrate the positive side of the medium."

Among those who will appear, live or on tape, are the rock singers Laurie Anderson and Peter Gabriel belting out the title song (composed and recorded by them especially for the broadcast); the choreographer Merce Cunningham and the composer John Cage in New York on a split screen improvising to Salvador Dalí reciting a poem (on tape), beamed from West Germany; the artist Joseph Beuys playing the piano, live from the Pompidou Center in Paris; the poets Allen Ginsberg and Peter Orlovsky singing one of their compositions; a group of 80 French saxophone players and vocalists known as Urban Sax; and Charlotte Moorman, a cellist famed for playing Paik compositions dressed in almost nothing. (She'll be fully clad for her satellite debut.) Laughs — it is hoped — will be provided by interludes with the comedians Mitchell Krigman and Leslie Fuller, both formerly of "Saturday Night Live." And viewers will also witness a world television premiere: "Act III," a film stretching the boundaries of electronic graphic display by Dean Winkler and John Sanborn with music by Philip Glass.

Now 51, Paik still looks, with rumpled clothes and tousled hair, very much the whiz kid who first came to the attention of the art world as a

video innovator in the 1960s. "I never read Orwell's book — it's boring," he said recently. "But he was the first media communications prophet. Orwell portrayed television as a negative medium, useful to dictators for one-way communication. Or, of course, he was half-right. Television is still a repressive medium. It controls you in many ways. You tend to adapt your schedule to it, and also you get from it stereotyped images. But I want to show its potential for interaction, its possibilities as a medium for peace and global understanding. It can spread out, cross international borders, provide liberating information, maybe eventually punch a hole in the Iron Curtain."

Cutting back and forth from Europe to the United States, the show will have two hosts: the writer George Plimpton in New York, and Claude Villers, a popular television master of ceremonies in Paris. (Plimpton will not be seen by European viewers; nor will Villers be seen in the United States.)

Paik, who does not appear on the program, will direct its production in France, and Emilio Ardolino, the film, stage and television director, will be at the helm in New York for WNET.

The idea for "Good Morning, Mr. Orwell" came out of the Paik retrospective at the Whitney Museum in 1982, the largest show ever devoted to a video artist. "But the Whitney show did only half the job," Paik said. "I thought, under one roof, video has only a vertical axis, yet it's really horizontal, in that it spreads all over and you can do a lot of things in different locations at the same time. That's the most interesting part of it. We got onto Orwell because 1984 was coming up."

Asked how video art, with its small current audience, would help in improving the larger television picture, Paik had an answer at the ready.

"If you combined all the printed media today the market share of the good stuff would be small, but very influential. We think video can be comparable to the best of the printed media, and can be just as influential. After all, it was 300 years before the invention of the printing press and Shakespeare. Give us a little time."



Nam June Paik: The book? "Boring."

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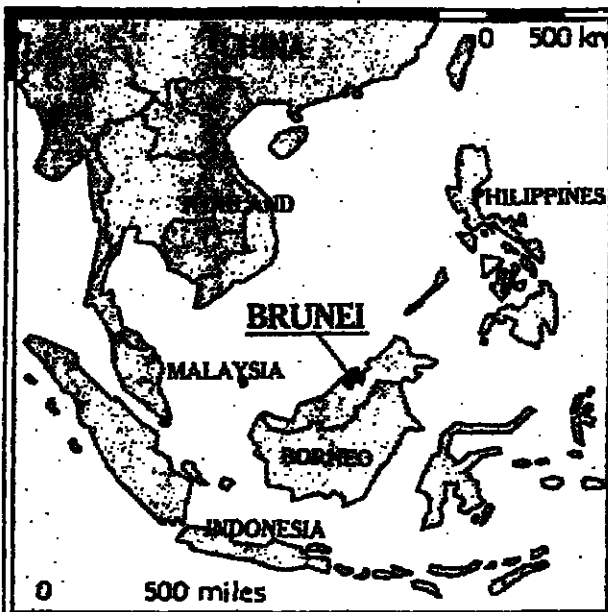
A SPECIAL REPORT

SATURDAY, DECEMBER 31, 1983 - SUNDAY, JANUARY 1, 1984

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The royal barge at the Omar Ali Saifuddin mosque.



Brunei Becomes Nation After 20-Year Delay

By Sheila Daniel

BRUNEI, the world's 169th sovereign nation, will be born on Jan. 1, a small but healthy infant.

For Brunei, an Islamic sultanate that became a British protectorate in 1888 and a self-governing entity since 1959, the transformation ends nearly a century of British guidance. In practical terms, full independence means that the country will now assume responsibility for its own defense and foreign affairs, the only two responsibilities that had been left to Britain.

No flags will be raised or lowered; the Union Jack flies only over the office of the British High Commissioner.

Formalities will be confined to a religious ceremony at the central mosque and a reading of a declaration of the new status by the sultan, Sir Hassanal Bolkiah, to those gathered on a parade ground in the center of the capital. Further celebrations are saved for Brunei's new national day, Feb. 23.

Unlike many other new nations that have emerged since World War II, Brunei was less than eager to sever its ties with London. With Britain representing it overseas, the oil-rich state was able to concentrate on the economy.

Current reserves, entirely from oil and gas revenues earned by Brunei Shell Petroleum Co., are estimated to be at least \$12.8 billion.

Brunei, a country about twice the size of Luxembourg, has a population of slightly more than 200,000. About 75 percent of the people are citizens.

Britain has been seeking to make Brunei independent for two decades, and officials in Bandar gradually had assumed increasing responsibility. In 1979, the sultan and his father, who had retired as sultan 12 years earlier, agreed to become fully independent after a five-year transition.

The delay, according to acting Chief Minister Pehin Abdul Aziz, was "a question of gaining more years of experience." In 1964, he said, "we only had three university graduates in Brunei. What could we do? Now we have 600. We can sleep a bit better. We've also built up our infrastructure."

In the early 1960s, Brunei's former sultan passed up a chance to join in the newly forming Federation of Malaysia. At the time, the region was shaky politically and economically. Malaysia was opposed by Indonesia and the Philippines, and there were fears that the countries might go to war. In 1962 in Brunei, there was a rebellion against the sultan, put down by British Gurkhas rushed in from Singapore. The revolt was widely believed to have been instigated by Indonesia.

Now, however, Brunei is about to join its neighbors in the regional alliance, the Association of Southeast Asian Nations. It also is expected to seek entry to the United Nations and other international organizations.

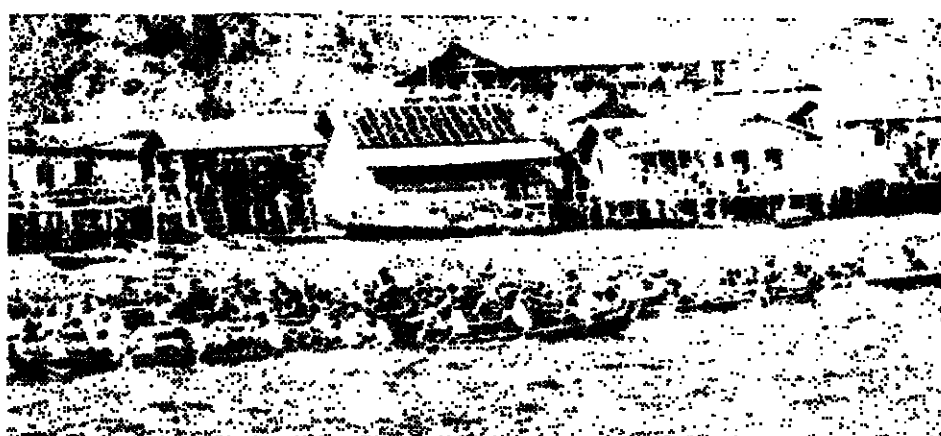
Eleven foreign missions either have opened or will open soon in Bandar. The head of one of them assessed the impact of independence this way: "The attitude is, 'we wouldn't have suggested it, but now that it's going to happen, it's OK.'"

The change is forcing Bruneians to look beyond their borders. "A few

(Continued on Next Page)



Selling the morning's catch of shellfish and fish.



In Brunei, a celebration means a regatta.

A Gross Domestic Product of \$4 Billion, No Debts or Deficit

MOST EMERGING nations have to scramble for international aid to keep afloat, but Brunei's biggest problem is figuring out what to do with its cash. This tiny country has no debt, no trade deficit, no balance-of-payments crunch.

What it does have is a gross domestic product estimated at \$4 billion this year and an average annual per-capita income of \$19,500, the highest in the Orient and one of the highest in the world.

With estimated foreign reserves of \$12.8 billion, Brunei acts as a magnet for financial institutions. The

Sheraton Utama Hotel, the capital's finest, is filled with commercial bankers from the West, all hoping for a piece of the action. They stand virtually no chance of getting it, since the nine banks currently operating in Brunei already constitute something of a banking glut.

Brunei welcomes all inquiries, however, and the acting chief minister, Pehin Abdul Aziz Umar, said he tries to meet with all banking representatives. "We may need them someday," he reasoned. "In the meantime, they can enrich our knowledge, like a dictionary. Any time we need their expertise, we'll be able to call on them."

In possibly the most dramatic example of its stride toward independence, the country recently set up the Brunei Investment Agency, which has taken over management of Brunei's investment funds from the British Crown Agents. One of its first acts was to appoint a new management team of Citibank and Morgan Guaranty Trust Co. along with two leading Japanese firms, Nomura Securities Co. and Daiwa Securities Co.

"The agency has made incredible progress," one

local banker declared. "It has done better than anyone could have hoped for."

The sultanate's economy is a simple one. Oil and gas account for 98 percent of its exports and 78 percent of its gross domestic product, with the remainder coming from trade, financial institutions, construction and agriculture. Officials would like to widen the economic base, but diversification is easier discussed than accomplished.

The government's policy is cautious, designed to

(Continued on Next Page)



Manning an offshore oil rig.

Crown Agents: Will They Survive Loss?

By Tim McGirk

NOTHING brings out the best in the Crown Agents like a good hoopia. Before Brunei becomes independent on Dec. 31, the Crown Agents, who have answered the every need of Britain's colonies for the last 150 years, will have draped miles of yellow, black and white bunting around the palace in Bandar Seri Begawan. They will have sewn smart new insignia on the uniforms of the sultan's ceremonial guard, and

even designed postage stamps to commemorate the event.

But the service that matters most — managing the investments of Brunei — will no longer be performed by the Crown Agents.

The loss of Brunei's \$3.5-billion (about \$5-billion) portfolio may lead the Thatcher government to shut down the Crown Agents. The organization is seen by critics as an expensive curio, by supporters as a Third World trouble-shooter, able to gouge roads through Borneo's

jungle, track down a vaccine to fight spinal meningitis in Nigeria, or supply a spare washer for an ancient steam locomotive in the Hindu Kush.

The Crown Agents act as financial, professional and commercial agents for nearly 100 governments. By law, they are required to charge fees high enough to break even, but no higher. As former colonies were cast off from Britain in the 1950s, the agency attempted to

(Continued on Next Page)



Oil installations, above; below, a tanker loading.

From Imperial Riches To New Wealth of Oil

DESPITE ALMOST a century of British supervision, Brunei was never technically a colony of a Western power in the sense that Malaysia, Indonesia, Singapore and the Philippines were.

Now just a sliver of the northern edge of Borneo, the sultanate once ruled the entire island and much of what is now the Philippines. Marco Polo reported in his journals that Kublai Khan had tried to capture Brunei and failed. In the next century, Islam spread to the region and the first sultan of Brunei was installed in 1368.

The country's golden age came in the 16th century when Sultan Bolkiah — an ancestor of the current ruler, Sir Muda Hassanal Bolkiah — extended his domain as far north as Manila. Visiting Europeans were in awe of Brunei's riches, telling of palace guards attired in gold and silk, their weapons studded with pearls and precious gems. Even into the 18th century, travelers marveled that ordinary kitchen utensils were made of gold.

But after the remnants of Magellan's fleet arrived in 1521, Spanish, Dutch and Portuguese conquerors began encroaching on the empire.

The British involvement with the sultanate began in the 19th century. From a base in Sarawak to the west, an English adventurer named James Brooke began in 1839 to peel away at the remaining territory of the Brunei sultans. Though Britain eventually colonized Sarawak and Sabah, to the east of Brunei, London's initial relations with the sultanate were on a sovereign-to-sovereign basis.

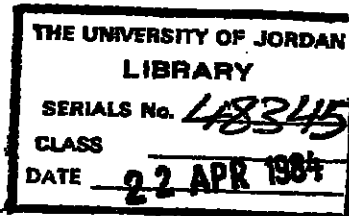
In 1888 Britain took Brunei under its wing as a protectorate. Still more of Brunei's territory was seized by a successor of Brooke, and in 1906 London sent a British resident to the Brunei court, halting any further takeovers.

For the next two decades, Brunei remained a backwater post, hardly noticed by the British or anyone else. That began to change in 1929, when Shell discovered oil near the western settlement of Seria. As the money flowed in, Brunei was able to offer generous social benefits and a comfortable standard of living to its citizens — and once again the rest of Asia started to regard Brunei with jealousy.

In 1941 the country was seized

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Brunei Ceremonial Kris Knife

BRUNEI

Sultanate Becomes a Nation After 20-Year Delay

(Continued From Preceding Page)

The capital city's skyline is dominated by the golden dome of the Sultan Omar Ali Saifuddin mosque and the new, sprawling Istana, or palace. But the streets are crowded with symbols of Western influence, most notably the traffic jams of new Japanese and German cars. Virtually every family has at least one. At last count, nearly 54,000 private cars were registered in the country.

One example of the new outward look came when the government earlier this year took control of its huge investment pool away from crown agents and handed it to a consortium of U.S. and Japanese money managers.

electronic gadgets in store windows. But in a country in which many women observe traditional Islamic dress, girls are noticeably absent.

About half the city's 50,000 residents live in Kampong Ayer, a village on stilts built into the Brunei River. But whether home is a tin and wood shack in the Kampong or a high-rise apartment onshore, most people in Brunei can be found at night relaxing with a videotape recorder. Even in the Kampong, where the rustic homes nevertheless have running water and electricity, many homes are equipped with at least one TV, a stereo, modern kitchen appliances and washers and dryers.

The state has spread the oil wealth around. All citizens are entitled to free medical care and, if the local facilities cannot adequately deal with a problem, patients are sent with their families overseas without charge. A 500-bed hospital has just been completed.

School is free. A local university is planned. For now, students who qualify for university training are sent abroad with all expenses paid by the state.

Housing loans carry an interest rate of 5 percent. Most government workers are eligible for interest-free car loans. Those who live on the water qualify for low interest outdoor motor loans.

Stipends are given for a trip to Mecca, and many civil servants also are entitled to a free trip to England once in their careers. Electricity, water, gasoline and many food items, including rice, are subsidized.

Wages are good in comparison with neighboring states and, with government aid, most Bruneians can live well on their salaries. There is no personal income tax. The minimum wage for laborers is about \$6-a-day, but a high school graduate can go to work for the government at \$250 a month and

work up to a mid-level position earning as much as \$700 monthly. Workers are eligible to retire at age 55 or after 30 years of service and are entitled to generous lifetime benefits.

There are 31,000 government employees, more than two-thirds of the local work force. The agriculture department has a staff of 2,000, although Brunei has only a few dozen farmers. The government is trying to stimulate the agriculture industry.

Some top officials worry that things may be a little too soft. "The danger is that people get used to the idea of being spoon-fed," a department head said. "They're used to the easy life and never have to work hard."

The government has begun a campaign to encourage the majority Malay population to take a more active interest in private business, long the preserve of the large Chinese immigrant population. Authorities are also urging young people to pursue advanced technical training to prepare them for careers in private enterprise, especially the oil and gas industry which ethnic Malays have traditionally shunned.

The Brunei economy depends heavily on the work of about 25,000 expatriate technicians and laborers and is likely to continue to do so until the current generation of secondary school and college students — more than 2,000 youngsters — are currently studying abroad — complete their education.

At Brunei Shell Petroleum two of the top 100 management personnel are ethnic Malay citizens. The company is trying to hire more residents who are college graduates.

The 4,000-man military force is largely Malay, but it is commanded by a Briton and has 150 officers on loan from the British military. Their main function is to train Bruneians to operate and service a sophisticated arsenal.

About one-fourth of the 1983 government budget of \$1.04 billion was devoted to security and defense spending. The armed forces are equipped with some high-tech weaponry, including Exocet missiles installed along with 30 mm cannons on three gunboats, a squadron of 16 Scorpion light tanks, a battery of Rapier air defense missiles, and several modern helicopters.

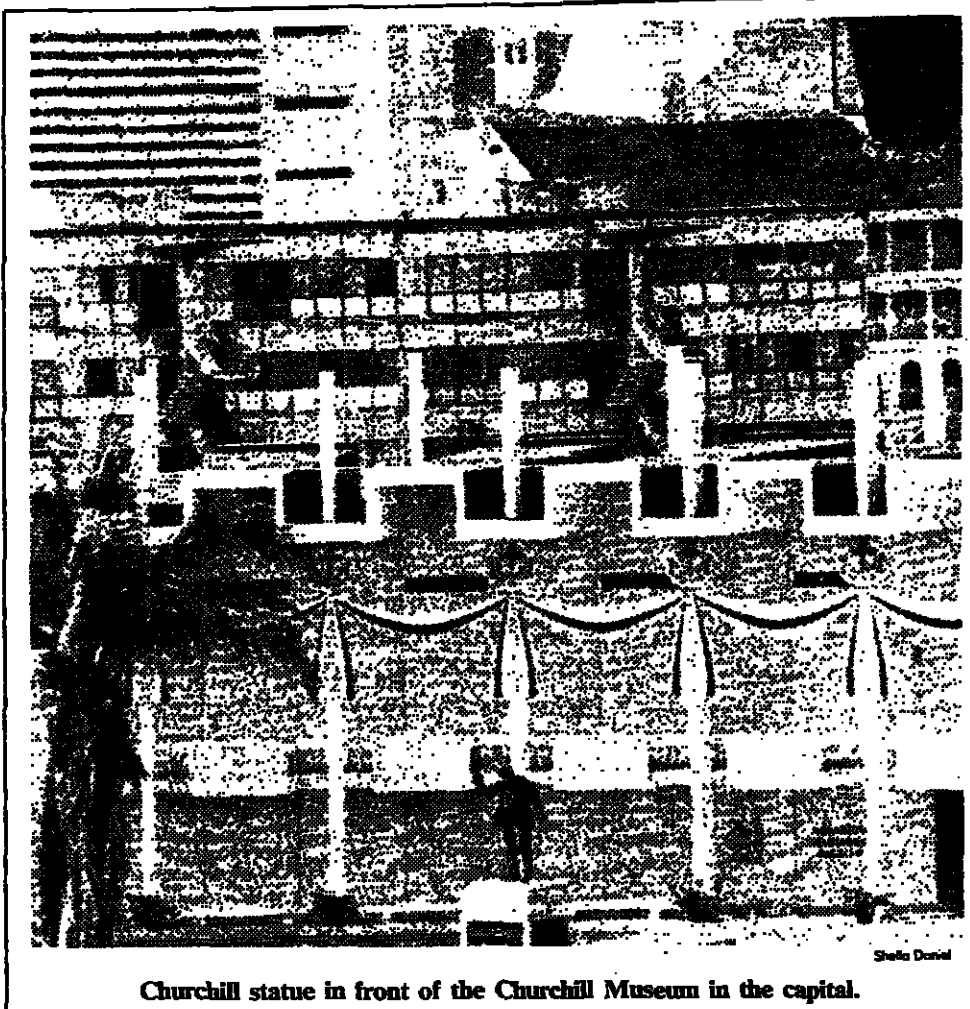
Military officials say Brunei is calm internally and enjoys harmonious relations with its neighbors. However, Vietnam is only 550 miles (890 kilometers) across the South China Sea, and Ho Chi Minh City is the closest major metropolis to Brunei.

"The threat in the short term is low," said Brigadier John Friedberger, commander of the Brunei Malay Regiment. "Internally, the country is peaceful, and externally the neighbors are friends. In the longer term, all sorts of things could happen. It's our duty to have a defense force."

After independence, residents will continue to have reminders of their British legacy. Among them is a two-story museum dedicated to the memory of Sir Winston Churchill. Built in 1965 by then Sultan Omar Ali Saifuddin, the museum houses what is believed to be the largest collection of Churchill memorabilia outside Britain. Churchill was never known to have visited Brunei.

A larger than life statue of Sir Winston, with cigar in mouth and right hand clenched in the characteristic "V" for victory sign, is in front of the museum. It is the only statue or monument in the city.

Near the door is an inscription that makes the sultan's intentions clear. It reads: "His highness, the sultan of Brunei, commissioned this memorial exhibition as an inspiration and a challenge to the youth of today and tomorrow."



Churchill statue in front of the Churchill Museum in the capital.



The daily market in Bandar.

Crown Agents: Future in Doubt

(Continued From Preceding Page)

diversity into such profitable ventures as real estate. But the effort lost £212 million in 1974 when the British property market collapsed.

Slowly, the Crown Agents began pulling themselves out of debt by providing investment and financial advice to more than 300 agencies in Africa, Asia and the Caribbean. Their clients range in size from Nigeria and Canada to Pitcairn Island. Brunei's oil revenues, however, amounted to 70 percent of the capital managed by the agents.

Alan Frood, the managing director of the Crown Agents, said Brunei advised his organization well in advance that it intended to exert more control over its investments as independence approached. "Our relationship with Brunei has always been friendly. For several years we have known that the Brunei government wished to set up its own investment office," he said.

Still, when the news came — as a short telex message in June from Brunei's chief minister — it was a shock. The agency's chairman, Sir Sidney Eburne, had been in Brunei a week before and had not been informed of the impending loss of the account. Soon after the announcement, officials from Brunei and representatives from Morgan Guaranty Trust Co. and Citibank would be tossed to the hungry bankers of London. The Thatcher government was particularly incensed by press reports that civil servants who were left without work after the Brunei contract was lost had been told to stay at home until further notice while continuing to collect their £25,000-a-year salaries.

their decision to switch to the U.S. banks clearly stung the agents.

This was compounded by reports from New York that the banks would earn fees of £20 million annually, four times more than the agents' take.

Two London investment houses, James Capel and Morgan Grenfell, had been managing smaller shares of Brunei's investments, and there was no sign that they had outperformed the Crown Agents. Mr. Frood said Brunei simply wanted to assert financial independence from its old colonial master. "This business of running one's own show is strongly nationalistic," he said.

Without Brunei, the agents found themselves unable to pay back nearly £35 million in loans due in 1983. Peter Graham, a senior deputy chairman of the Standard Chartered merchant bank who took over from Sir Sidney in August, appealed to Sir Geoffrey Howe, the foreign secretary, in early November to allow the debt to be rescheduled.

But there was pressure coming from the Foreign Office and the Treasury to close down the Crown Agents. Under this plan, the Foreign Office would take over the agency's development projects, while the job of advising former colonies on their financial affairs would be tossed to the hungry bankers of London. The Thatcher government was particularly incensed by press reports that civil servants who were left without work after the Brunei contract was lost had been told to stay at home until further notice while continuing to collect their £25,000-a-year salaries.

Not all the Crown Agents' subcontractors are British, though. To survive, the Crown Agents have had to shed their colonial image, putting their clients, or "principals," ahead of 10 Downing Street. Buy British, the Crown Agents will say, but only if it is the best.

"There is a regular pattern," Mr. Frood said. "Our former principals will try subcontracting on their own, and once they realize we do it better and cheaper, they switch back." The Crown Agents hope that Brunei will follow the pattern — and that they will still be in business when that time comes.

\$4-Billion GDP and No Debts

(Continued From Preceding Page)

develop at a moderate pace and avoid the mistakes of overexpansion made by other oil-producing states. Its 1983 budget of \$1.04 billion represented a 22-percent leap over the previous year, but it included \$279 million for development projects deemed necessary with the coming of full independence.

John Lee, the former state financial officer, pointed out in his 1983 budget address that the increase in spending was not a problem, since revenue was 165 percent greater than expenditures. But he warned that a year earlier that difference was 275 percent; the reduction reflected lower world prices for energy and Brunei's decision to cut back oil production.

The government will not say how long it expects the energy reserves to last, but some unofficial estimates put the end early in the next century. Accordingly, the current five-year economic plan is aimed at diversifying the economy through agricultural and industrial development.

Brunei does have some potential for agriculture, although only 20 percent of its 2,226 square miles (5,764 square kilometers) is arable. But government plans to lure people back to farms have largely failed because more lucrative jobs are available. The country has estimated reserves of 20 million tons of high-grade silica, but officials have decided to leave the resource untouched until the money is needed. Tax concessions have been offered to encourage investment in fertilizer

and petrochemical projects, but so far there have been no takers.

The chief reason for the development gap is found in simple arithmetic. Half of Brunei's 205,000 people are under 21. The labor force of 70,000 includes 25,000 foreigners. Of the remaining working residents, nearly seven out of 10 are on the government payroll.

Expatriates control most of the banking and financial institutions, while trade and commerce are largely in the hands of the Chinese community, few of whom hold citizenship.

It is these two areas that worry officials the most. Increasingly, they are encouraging the native Malay citizens to participate more actively in the private sector. To stimulate involvement, the government is concentrating on educating its young people. This year, it budgeted \$13 million to build new schools. There are no colleges yet, but the government pays the tuition, fees and housing for all qualified youngsters who go to a university overseas. According to Mr. Aziz, the acting chief minister, Brunei now has 600 university graduates. More than 2,000 students are currently studying abroad, most of them in Britain. Still, Mr. Aziz is worried.

"That's nowhere near enough for the next five, seven, 10 years," he said. "We have very few local lawyers or economists or doctors, although we do have about 50 engineers. Education is costly, but we have no choice but to develop our manpower."

A Long History of Wealth

(Continued From Preceding Page)

for the first time under the new constitution and the overwhelming winner was the radical Brunei People's Party. The sultan blocked the new legislative council from meeting, however. Within months, the party staged an armed revolt against the sultan. British troops, airlifted from Singapore, crushed the rebellion, which was widely believed to have been supported by Indonesia. At the time, Jakarta was vehemently opposed to the Malaysian federation and was known to have designs on the Borneo-based sultanates.

Following this period of crisis, Brunei again became peaceful and prosperous, but its semicolonial status caused Britain considerable problems in the United Nations. In 1971 Brunei agreed to become semi-independent but insisted that the British retain control of foreign affairs and serve as a consultant for defense. That arrangement was

frowned upon by Indonesia and Malaysia, which continued to call in the United Nations for free elections and a final cut of ties to London. At the time, British diplomats pleaded that the problem was not that Brunei wanted them to leave, but that Brunei would not give Britain its freedom.

The dilemma was solved by a 1979 treaty, which stipulated that Brunei would become a fully independent entity after a five-year transition period.

"People are finally beginning to realize the wisdom of our putting off independence," one influential Bruneian said recently. "We've broken all the rules, but are going into 1984 considerably better prepared than most developing countries. We bought time — and used it. So what you are seeing now is not the birth of a nation, but the birth of a sovereign state."



Setinggi-tinggi Tahniah
kepada

Kebawah DYMM Paduka Seri Baginda Sultan dan
Yang Dipertuan Negara Brunei Darussalam,
Kerajaan dan Rakyat Baginda
sempena

Kemerdekaan Penuh Negara Brunei Darussalam
1hb Januari 1984

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to

His Majesty Paduka Seri Baginda Sultan
and Yang Dipertuan Negara Brunei Darussalam,
His Majesty's Government and People
in conjunction with the
Full Independence of Negara Brunei Darussalam
on

1st January 1984

"MERDEKA BERDAULAT"



Brunei Shell Petroleum Company Limited
Brunei LNG Limited
Brunei Coldgas Limited
Brunei Shell Marketing Company Limited

ملكو من الاموال

BRUNEI

Agriculture: Wealth Slows Development

TRADITIONALLY a nation of farmers and fishermen, Brunei, through oil wealth, has turned into a country that sends out for its supper. Fish abound in the rivers and the South China Sea, but Brunei imports more than half of its seafood, and virtually all of its rice comes from Thailand.

The government has gone to considerable lengths to restore local food production, but the effort to lure people back to their plows has largely been a failure.

"If this trend is not checked, we might not be getting anybody interested in agriculture in five years' time," said Danial bin Hanafiah, the director of the agriculture department. "We've been trying to get people to grow rice for 10 years, giving 50-percent subsidies for fertilizers and the costs of land preparation, a 100-percent subsidy for pesticides. And advice is always free. But the economy is so good that nobody wants to invest in growing food."

Such disinterest has not deterred the government. In 1983, the agriculture department had a \$6-million budget and 2,000 employees, even though officials acknowledge there are no more than a few dozen full-time farmers left in the country. According to Mr. Danial, the long-term goal of this heavy spending is to return the country to self-sufficiency in rice, meat, vegetables and fruit.

Brunei has been importing Thai rice for two decades. In 1982, the government bought 18,000 tons and sold it at a highly subsidized retail price of 19 cents a pound (454 grams). Meanwhile, it spent \$1 million in the last year alone to stimulate local rice production.

Despite such heavy spending, the government has planted only 700 acres (282 hectares) itself. Another 1,000 acres are being cultivated by farmers who work paddies on weekends to feed their families. Self-sufficiency, according to official calculations, would require at least 10,000 acres producing two crops a year.

For the last few years the government has been offering a two-year course at an agricultural training

CONTRIBUTORS

SHEILA DANIEL, who contributed all but one of the articles to this report, is a Bangkok-based journalist who follows economic and political affairs in Southeast Asia. TIM MCGIRK, a London-based financial journalist, is a contributing editor to the magazine *Euromoney*.



Sir Muda Hassanal Bolkiah



The sultan playing polo.

Reluctant Monarch Develops a Keen Interest in State Affairs

SIR MUDA HASSANAL BOLKIAH, Brunei's ruler, came to his throne with great reluctance. He was studying at Britain's Sandhurst Royal Military Academy in 1967 when Sultan Omar Ali Saifuddin abruptly decided to abdicate in favor of his eldest son. The 21-year-old had just begun to discover his passion for military studies and had developed into a favorite with fellow cadets and teachers. Friends say that his recall to Brunei came as a shock.

"I am happy but sad," Sir Hassanal acknowledged when he was installed as sultan on Oct. 5, 1967. "I am young and inexperienced; however, I have full faith in my father and the [royal] council, and hope to receive their constant advice."

In the years since, the sultan has proved to be a

keen student of his father, who is known as the architect of modern Brunei. He is a frequent visitor to government offices and makes final decisions on both major policy matters and minor civil service reassignments.

As the 29th sovereign in an unbroken family line, the sultan represents one of the oldest monarchies in the world. While royalty in the West have come to be objects of curiosity or even ridicule, this Islamic state still views its leaders with reverence.

"People often misunderstand our feelings," one Bruneian official said. "Malays don't normally show emotion openly. It's a relation of respect rather than shouting to a leader like a politician. When Queen Elizabeth came here, there was a hushed silence — as a sign of respect."

The sultan spends his mornings with family and friends, and at 11 A.M. begins the work day — signing documents, meeting with officials and consulting aides. His father serves as an adviser, as do the sultan's brothers, Mohamed, Sufri and Jefri.

After the work is done, Bruneians may spot their monarch in traffic; he generally is accompanied by motorcycle escorts only for official functions. More often than not, he will be on his way to the country club for a game of polo.

Trained as a helicopter pilot at Sandhurst, Sir Hassanal takes a great interest in the military and has equipped the Royal Brunei Malay Regiment with sophisticated weaponry such as Rapier and Exocet missiles. During a recent exercise, the sul-

tan flew his Sikorsky to the mock battleground, learned to operate a new Scorpion tank and promptly demolished his targets.

The sultan spends quieter moments with his family — he has two sons and five daughters — and his closest friends, who are mostly his brothers and foreign polo players.

Lately though, Sir Hassanal has had few opportunities for leisure. With the coming of independence, there are government offices to be built, a \$300-million palace to be completed, diplomatic relations to be cemented.

The sultan wants all these things done smoothly so Brunei can enter the community of nations with quiet grace.

Shell and the Government Maintain an Efficient Partnership

PEOPLE in Brunei cringe when outsiders refer to their nation as a "company country," or the "Shell-fare state." But Brunei's balance sheet shows that the economy runs solely on the oil and gas industry, and the oil and gas industry is Shell, the British-Dutch energy giant.

In the early 1900s, several oil companies were exploring in Brunei. All but Shell dropped out, empty-handed. In 1929, Shell finally landed a gusher in the southwest part of the country. Progress was slow at first, with only 17,000 barrels a day pumped from the Seria field by the time the Japanese invaded Borneo in World War II.

After extensive damage was repaired following the war, Shell stepped up its explorations, moving offshore in 1956 and striking both oil and gas in 1963.

Today, Brunei produces 175,000

barrels of oil a day, purposely down from a 1980 high of 240,000 barrels. The sultanate is also one of the world's leading exporters of natural gas, sending 5 million metric tons to Japan annually. Altogether, energy exports last year earned Brunei about \$3.76 billion.

A partnership between the government and the company has kept the money pouring in smoothly. In 1973, at Shell's coaxing, the government took a 25-percent share of the equity in Brunei Shell Petroleum Co., increasing its holdings to 50 percent two years later. Four government representatives sit on the eight-member board of directors; Shell, possessing most of the technical know-how, still runs the day-to-day operations.

The government and Shell are also partners, along with Japan's Mitsubishi Corp., in Brunei LNG

Ltd., which was established in 1969 to buy gas brought onshore by Brunei Shell. The concern cools and liquefies the gas in a plant that was the world's largest when it was built in 1972. The three partners also own another firm, Brunei Coldgas Ltd., which ships the gas to Japan.

Shell and the Brunei government are also 50-50 partners in Brunei Shell Marketing Co., which services the domestic market with energy products.

Peter Everett, Brunei Shell's managing director, admits to some unease about running the only significant industry in the country. "The political side of it gives us some concern," he said in an interview. Since the early 1970s, Brunei Shell has been trying to bring more of Brunei's Malay citizens into the operation, but until recently the government was not helping to

push the effort. The government, in effect, was competing with the oil industry in the small labor market. There are only about 130,000 Malay citizens in the country, and more than half are too young to work.

"Brunei is a small country trying to run a government administration, an army, a police force and an oil company," said Mr. Everett. "The pool we're fishing in is very small. Despite pay scales that exceed government salaries, Shell still has trouble recruiting talent from the civil service. Being a government department head has much more status in Brunei than working for us."

Other inhibiting factors are the geography and the cultural makeup of the country. Most Malays prefer to live in the northeastern area around the capital, Bandar Seri Begawan. Residents in the south-

west near Seria and Shell's operations tend to be expatriates and Chinese immigrants, few of whom hold citizenship.

Seria is almost a foreign country, Mr. Everett admitted. "We have a hard time convincing Brunei Malays to come down here, because you can live here and not think you're in a Malay state. They even call this area 'Little England.'"

The notion of Bruneians taking over the oil business soon is "pie in the sky," he acknowledged. Only two of the top 100 management personnel at Brunei Shell are ethnic Malay citizens of the sultanate. Out of 900 senior staff members, only 120 are citizens. But the company is sending about 30 students a year overseas on scholarships, hoping to bring them into the corporate fold when they return with their university degrees.

At times, Mr. Everett admitted, decisions by Brunei Shell's board have been based on the government's political goals more than on cost-efficiency.

For example, at the government's insistence, Brunei Shell recently completed a \$32-million oil refinery that can process 10,000 barrels a day, about what is needed for domestic consumption. Shell believed it would have been cheaper for Brunei to continue to purchase its refined products from larger, more efficient, refineries in Singapore, but they went along with the government's desire to be more self-sufficient.

"Shell's view of Brunei is that the company is here for the long term," said Mr. Everett, serving his third tour of duty in Brunei for Shell. "We'll be here as long as they want us."

The Management and Staff of Bank Brunei rejoice with the Government of His Majesty The Sultan and Yang Di-Pertuan Negara Brunei Darussalam and Her People on the Sovereign Independence Day of Negara Brunei Darussalam on 1st January 1984.

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Herald Tribune

BUSINESS/FINANCE

SATURDAY, DECEMBER 31, 1983 - SUNDAY, JANUARY 1, 1984 **

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ECONOMIC SCENE

By PETER BEHR

A Layman's Guide to AT&T Breakup: If a Thing Ain't Broke, Why Fix It?

WASHINGTON — The breakup of American Telephone & Telegraph Co.'s Bell System on Jan. 1 is an event that seems to many people to fly in the face of common sense. Simple wisdom says, "If it ain't broke, don't fix it." So why "fix" the Bell System? Why change something that was to reliable — and such a relative bargain?

Because common sense, in this case, may not be the best guide to what is good for us. Most telephone users are only vaguely (if at all) aware of the vast technological changes that have been sweeping through the U.S. telecommunications industry. These changes make some kind of fundamental restructuring of good old Ma Bell all but inevitable.

In the past 15 years, it became possible for small, independent telephone companies to use microwave antennas or satellites to transmit telephone conversations more cheaply than the Bell System could, with its huge investment in cables, switching systems, buildings, operators and lobbyists.

If you don't like what's happening to your phone service, blame Hitler. He started World War II, which provided the compelling reason for early developments in several of the new technologies that the Bell competitors are now exploiting. Radar led to microwave transmissions, which now provide an alternative to communication by means of costly land lines.

And the need for rapid calculation of the paths of artillery shells spurred the development of computers, which enable even small companies to handle millions of phone calls relatively cheaply, without armies of operators and support staff.

The first of these companies appeared in 1968 and have increased steadily in number, nipping off small corners of Bell's telephone monopoly by offering cheaper long-distance service for customers who make a lot of long-distance calls. Eventually, these companies could be doing the same thing for local service, processing calls coming in and out of a subdivision or office building at a cheaper rate than the phone company charges.

New Rivals to AT&T

The emergence of MCI Communications Corp., GTE-Sprint and some smaller companies provided a challenge to Bell and a major headache for government regulators of the phone industry.

Initially Bell raised engineering roadblocks to make it more difficult for them. It tried to get Congress to outlaw such competition. But regulators and politicians recognized that keeping the old monopoly system would mean squashing the Bell competitors.

It also would have meant discouraging the fast-growing communications-equipment companies (an important high-technology sector of the economy) that relied on Bell's competitors to sell their products because they had trouble selling their wares to Bell. Preventing the growth and development of these companies, it was feared, could have meant a loss of jobs, taxes, salaries and dividends.

It could also have held back the U.S. telecommunications industry at a time when Japan was beginning to vie for a bigger piece of the huge and growing global communications market.

U.S. District Judge Harold Greene, who handled the Justice Department's case against AT&T, reached the preliminary conclusion that AT&T's treatment of its competitors violated the antitrust law. Judge Greene's position was a big reason why AT&T stopped fighting the Justice Department and accepted the breakup that takes effect Sunday.

But AT&T also saw some decided advantages in this development, for it meant that Bell could enter the computer business and other high-tech sectors that would have been closed to it if it had stayed a regulated utility. Bell recognized that it could succeed as a competitive phone and computer company once it was free of the weight and inertia of overseeing a nationwide telephone monopoly.

If we have any confidence in the computer system, we ought to feel a little more comfortable with a telephone system with lots of players rather than one monopolized by a single big one.

And, as a result, if you are leasing your phone now, you can't do anything. Beginning Sunday, you will be leasing it from AT&T, but you still pay the rental charges to your local phone company, which will forward the amount to AT&T.

With a little effort, you can buy that phone from AT&T and in a year, you'll be ahead financially. Chances are, it will hold up for five or 10 years without needing repairs. If you can afford it, you can experiment with a second phone — for instance, one that can travel from room to room, or one that remembers numbers and dials them automatically.

One problem with changing from a monopoly phone system to a competitive one is that from now on the driving force in the telephone industry will be profits rather than basic telephone service to homes and businesses.

The old Bell monopoly was obligated to provide "universal service." Rich or poor, all individuals were entitled to the same.

There were, however, more inequities than met the eye. For one thing, long-distance callers subsidized local callers. Bell was able to keep local charges low by charging the long-distance callers more. That had to

(Continued on Page 13, Col. 1)

Gulf Wins Contest With Mesa

53% of Stock Is Voted For Reincorporation

Compiled by Our Staff From Dispatches

PITTSBURGH — Gulf Oil Corp. won its proxy fight to reincorporate in Delaware, winning 52.7 percent of shareholders' votes in an election widely viewed as a referendum on Gulf's future, according to a preliminary count released Friday.

The reincorporation in Delaware will allow Gulf to change its voting procedures to make it more difficult for an outsider to win a seat on the Gulf board.

Under the plan, Gulf would keep its headquarters in Pittsburgh but operate under Delaware law.

The plan was submitted to a special shareholder vote Dec. 2, following one of the biggest proxy battles in U.S. corporate history.

The reincorporation election was aimed at wounding the Gulf Investors Group, which is pressuring Gulf management to restructure by spinning off some of its oil reserves.

Gulf management opposes the spin-off idea, saying that it would weaken the company by depleting its funds available for oil and gas exploration.

Gulf, currently incorporated in Pennsylvania, is the fifth-largest oil company in the United States.

The investor group is led by Mesa Petroleum Co.'s chairman, T. Boone Pickens Jr., and holds 21.7 million Gulf shares, or 13.2 percent of the total outstanding.

"Our shareholders recognize that their long-term interests are best served by keeping Gulf a strong company in the oil industry," Gulf's chairman, James E. Lee, said in a statement Friday.

Gulf received 87.1 million votes in favor of moving the corporate charter. The preliminary results, tallied by independent judges, show that 52.3 million votes were cast against the plan. Gulf has about 165 million shares outstanding, of which about 86 percent were voted.

Mr. Pickens said the vote count indicated that "many of our fellow Gulf shareholders shared our view that management's reincorporation proposal was not in the best interests of shareholders."

He added that Gulf stockholders had sent their company a message: "They want management to take positive steps to achieve enhanced value" for Gulf stock.

"The Gulf Investors Group intends to continue to pursue ideas which will maximize values for all Gulf shareholders," Mr. Pickens said. "Business as usual is an unacceptable game plan for Gulf."

Mr. Pickens did not say what specific steps his group would take next.

The preliminary election results are subject to review and challenge by both sides, and final results are expected Jan. 18, according to Gulf.

(AP, Reuters)



Workers assemble computer parts for IBM at an Atlas Industries plant in Hong Kong.

New Leadership, IBM Contract Push Prospects of Atlas Industries Higher

By Steve Lohr

New York Times Staff

HONG KONG — In the last few years, Atlas Industries has been transformed from a floundering, loss-ridden maker of simple electronics items into a highly profitable maker of sophisticated parts for leading computer companies in the United States.

Larry Tam, an analyst for Sun Hung Kai Research Ltd., called the turnaround "just incredible."

The change is largely attributable to U.S. technology and management, brought into the company in 1980 when Albert J. Miller, an entrepreneur from California's Silicon Valley, bought control of Atlas and became its chairman.

Analysis is also impressed by the company's prospects, and the principal reason can be summed up in three letters: IBM.

Atlas recently signed a large contract to supply International Business Machines Corp. with computer heads and assembled floppy-disk drives. The parts will be used in personal computers. Analysts say the contract will be worth more than \$170 million during the next three or four years.

Atlas executives would not disclose the size of the contract, but Mr. Miller, who was in Hong Kong recently, said: "IBM is talking about tremendous volume. They're pushing us."

Though still tiny by international standards, the Hong Kong-based company is certain to expand dramatically, analysts say. In the year ended last March, Atlas's profit doubled, to \$4.1 million, on sales of \$32.4 million.

For the current fiscal year, Atlas will again double its income, to \$8.3 million on sales of \$47.7 million, according to W.I. Carr Sons & Co. For the following year, Carr expects Atlas to earn about \$12 million on sales of \$100 million. Some analysts say the Carr figures are unduly conservative, predicting that profits next year will double again, to \$16 million.

Investors, especially European-based institutions, have driven the price of Atlas shares up sharply, at a time when the Hong Kong market has been in the doldrums. In April 1982, Atlas stock sold for 47 Hong Kong cents (6 U.S. cents) a share. Recently, the stock has been trading at 5.46 Hong Kong dollars a share.

Atlas garnered the IBM contract by gaining a top rating for quality and on-time delivery of computer heads in 1982, outperforming other contenders from the United States and elsewhere.

A computer head transfers electronic digital signals into magnetic impulses stored on computer tape and memory disks. It also works the other way, transferring the coded information stored as magnetic impulses back into digital signals for processing by the computer. The heart of the computer head is a very thin piece of ferrite that is finely polished.

A floppy-disk drive turns the magnetic disk at high speed and moves the head to various points on the disk, to pick up or put down information.

Besides efficient production, Atlas has another advantage: It is not a Japanese company. The largest independent suppliers of computer heads are Japanese, including Matsushita Electric Industrial Co. and TDK Corp.

Although large U.S. computer companies generally make heads themselves, they also buy them. Atlas also

(Continued on Page 13, Col. 1)

Allianz Gives Up Fight With BAT For Eagle Star

By Bob Hagerty

International Herald Tribune

LONDON — Allianz Versicherungs AG said Friday that it was abandoning its effort to take over Eagle Star Holdings PLC, Britain's sixth-largest general insurance company.

Allianz, West Germany's No. 1 insurer, provisionally agreed to sell its 30-percent stake in Eagle to a rival bidder, BAT Industries PLC.

BAT, a London-based tobacco and retailing giant, agreed to pay £968 million (\$1.4 billion), or 700 pence apiece, for all of Eagle's shares outstanding. Previously, both Allianz and BAT were offering 675 pence a share.

Allianz's decision appeared likely to end two months of tense bidding. But the West Germans reserved the right to cancel the agreement to sell to BAT if a third party emerges with a new bid before 3 P.M. on Jan. 18.

Devel von der Burg, Allianz's chief international officer, called that possibility "relatively remote," and Eagle insisted that it had received no other approaches. But rumors have persisted that a large U.S. company was about to pounce with a higher offer.

Traders have reported a large volume in trading of Eagle shares this month. This raises the possibility that a single party could have built up a stake of just under 5 percent, the point at which holdings must be disclosed in Britain. Speculation centers on major U.S. companies — because of the size of the takeover bid, already the largest ever in Britain, and because the recent weakness of the pound might make Eagle tempting in dollar terms.

The stock market, however, appeared unconvinced that a new bidder will arrive at the last moment. Eagle shares closed Friday at 692 pence, down 22 pence for the day.

London's Panel on Takeovers and Mergers had ordered BAT and Allianz to make their final bids by 5 P.M. Friday. With that deadline approaching, top BAT executives flew into Munich Thursday morning on a chartered jet for secret talks with Allianz. The two sides negotiated for about 10 hours before signing the accord.

Allianz officials said that they considered the price too high and that opportunities have arisen elsewhere. They also noted that their

original aim was to buy a stake of only 40 to 50 percent. This would give them representation on Eagle's board and the chance to cooperate with the British company in overseas ventures.

Partly, the problem was a cultural clash. Interlocking minority shareholdings are common in West Germany, but British bidders usually buy 100 percent or nothing. A senior Allianz official said that another problem was a "slightly nationalistic feeling" betrayed by Eagle's chairman, Sir Denis Mountain, grandson of the company's founder.

BAT and Allianz, by contrast, said they got along so well during the contest that "both sides believe there may be other areas of possible cooperation between them in insurance."

(Continued on Page 13, Col. 2)

Bonn Planning To Sell 13.75% Of Veba Shares

Reuters

BONN — The West German government said Friday that it was planning to sell 13.75 percent of Veba AG shares outstanding. The move is the first major move by Chancellor Helmut Kohl's center-right government to put into effect its plans to return state holdings to the private sector.

The face value of the package of 4.6 million shares is 232 million Deutschmarks (\$85.4 million). Each share has a face value of 50 DM.

On the Frankfurt Stock Exchange, Veba shares closed Thursday at 167.50 DM, compared with a peak price for the year of 183.40 DM and a 136.50 DM low.

Hans Tietmeyer, the Finance Ministry state secretary, said that the government expected to raise more than 700 million DM through the sale.

The sale would reduce the government's holding in Veba, a diversified industrial company, to 30 percent from the current 43.75 percent, but the government plans later to lower its stake to about 25 percent, he said.

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CURRENCY RATES

Interbank exchange rates for Dec. 29/30, excluding bank service charges

Western	209.65	4.53	72.32	36.78	0.1846		5.92	140.77	5.665
Germany	28.745	36.285	21.42	6.775	3.2575	18.1545		25.591	5.045
France	1.733	3.942		32.72	1.445	88.95	4.91	125.25	27.63
Italy	1.4587		2.9327	12.061	2.668	4.636	8.91	3.1564	14.5382
Japan	1.6838	2.88328	27.24	19.85		548.50	29.74	79.935	16.45
Switzerland	1.7	1.4531	0.3584	0.1198	0.0804		3.074	388.55	0.67
Canada	1.5695	17.092	29.876			27.115	1.43	582.55	0.87
Spain	2.38	33.645	39.585	36.715	0.1312	71.945	3.911		22.88
U.K.	0.8274	0.5778	2.2575	4.9336	1.377	2.571	46.469	1.8641	0.1827
U.S.	1.04865	0.71216	0.73942	1.73141	3.3284	58.3533	2.9718	10.3386	

BUSINESS BRIEFS

E.F. Johnson Accuses Japanese Firm Of Employing Unfair Trade Practices

WASHINGTON (AP) — E.F. Johnson Co., a Minnesota electronics concern, accused a Japanese competitor of using unfair trade practices to keep Johnson out of the infant U.S. cellular-radio-equipment market. Johnson said Thursday that the Japanese company, Kokusai Electric Co., had offered to supply Western Electric Co. with key parts for cellular radio telephones at about one-third their fair market value in an attempt to keep U.S. bidders from getting a foothold in the domestic market. Kokusai's bid was less than half of Johnson's.

Johnson said in its dumping complaint filed with the Commerce Department's International Trade Administration that Kokusai had offered to supply Western Electric's needs for transceivers at \$301 a unit. Johnson's attorneys, unable to discover the price in Japan for the units, estimated their "fair value" at \$1,727. Johnson's own bid, ranging from \$400 to \$1,500 a unit depending on the quantity ordered, would have been at that price, the company said.

Eastern Airlines Gets Loan Extension

BEAMI (UPI) — Eastern Airlines said Friday that its lending group had approved a \$367-million employee-bank bailout plan and signed documents that will keep the financially troubled carrier out of default.

The First National Bank of Boston, one of Eastern's lenders, signed loan extensions on behalf of the airline's senior bank and insurance company lenders. The previous agreement expired at midnight Saturday. Failure to extend it would have meant the airline could face legal action, including repossession of its planes.

The plan calls for Eastern's 37,000 workers to participate in a wage-for-work trade. Mechanisms, flight attendants and nonunion workers will give up 18 percent of their salaries and pilots will forego 22 percent of their pay. In return, the workers will get 25 percent of Eastern's stock.

Gannett, Mitsubishi Discuss Venture

TOKYO (AP) — Mitsubishi Corp., Japan's largest trading company, has begun discussions with Gannett Co. about the possibility of transmitting news and other information services to Japan via satellite, a Mitsubishi spokesman said.

David Shapiro, executive advisor to Mitsubishi International in New York, described the talks as "preliminary" in nature and said they had not yet focused on specific services. But the disclosure came several weeks after public statements by Gannett's chairman, Allen H. Neuharth, that, during 1984, the company will begin exploring the possibility of publishing its daily newspaper, USA Today, "in the Pacific." Gannett is also considering publishing an European edition of the paper.

Pennzoil Offer Gets Frown From S&P

NEW YORK (Reuters) — Standard & Poor's Corp. said it placed Pennzoil Co. and Pennzoil Overseas Finance NV on its Creditwatch list following Pennzoil's announcement of a \$1.6-billion tender offer for 20 percent of Getty Oil Co.'s shares outstanding.

Pennzoil is to finance its bid with \$300 million in cash and a \$1.3-billion debt issue of its existing \$2.5 billion credit facility. This means that cash-flow protection for current bondholders may be reduced, the rating firm said.

Amexco Active on Takeover Rumors

NEW YORK (NYT) — Shares of American Express Co., responding to rumors that the financial-services concern might become a takeover target, leaped to sixth place among most-active issues on the New York Stock Exchange Friday, with nearly 700,000 shares traded. The stock fell 24 cents, to close at \$32.50.

Speculation centered on Carl Lindner, chairman of Penn Central Co., who reportedly was a big buyer of American Express. But Wall Street sources said Thursday that they had not seen any trading by Mr. Lindner.

IMF May Raise Interest On Lending, Borrowing

By Clyde H. Farnsworth

New York Times Service

WASHINGTON — The International Monetary Fund would pay higher interest on the money it borrows from rich countries and charge more for the loans it makes to poor countries under a proposal expected to be approved within days by the board of governors, officials from several countries said Friday.

The United States has just gone through a congressional debate over costs of support for the 146-nation institution, and is leading the fight to end the interest-rate subsidy, with the strong backing of West Germany, the officials said.

The IMF operates as a giant credit union, borrowing from some members and lending to others. It pays interest to the countries that lend their money, such as the United States and West Germany, at 85 percent of the market rate.

At current levels, lenders receive 7.4 percent from the IMF, against a market rate of 8.7 percent. The market rate is computed on the basis of the average yield of three-month Treasury bills in the United States, West Germany, France, Britain and Japan.

A U.S. official who would comment only if not identified said the overall U.S. objective was "to reduce the budgetary cost to zero" of support for the IMF.

According to Treasury estimates, the interest rate subsidy has cost U.S. taxpayers as much as \$100 million a year over the past decade.

The initiative to end the subsidy comes as the Reagan administration draws up its budget for fiscal 1985, which begins next Oct. 1. An agreement, which some officials said could emerge Friday, could mean projected savings when the budget is published, scheduled for Jan. 30.

Developing countries are unhappy about the proposal because it will mean higher costs for them. Next year the IMF is expected to lend about \$14 billion to cash-strapped Third World countries.

Should those nations' IMF borrowing rates rise by 1 percentage point, for example, officials said, that could mean an additional cost of \$140 million.

The IMF now charges only 6.75 percent on the money it lends to the poorer nations from members' quotas or subscriptions.

Mexico Gets \$3.8-Billion Bank Loan

By James L. Rowe Jr.

Washington Post Service

WASHINGTON — Mexico and its key bank lenders have agreed on a \$3.8-billion loan for 1984.

The loan, which must be approved by about 500 banks that lend money to Mexico, involves substantially easier terms than either the \$5-billion credit Mexico received in 1983, or the \$6.5 billion that cash-strapped Brazil needs next year.

A senior vice president of Citibank, William R. Rhodes, who heads the committee of 13 major banks negotiating with Mexico, said that the lower rate on the new Mexican loan reflects the nation's "remarkable progress" in putting its economic house in order this year.

U.S. banks also were pressured by the Federal Reserve Board chairman, Paul A. Volcker, to ease the terms on the new loan to Mexico. Bankers, angered by what they say is Mr. Volcker's unwarranted pressure, said easier terms for Mexico long had been a foregone conclusion. Last September, Mr. Rhodes said publicly that Mexico would get a more favorable agreement in 1984 because the country had made good progress in slashing its spending, cutting inflation and reducing its need to borrow.

Brazil needs to borrow about \$2 billion more than it borrowed in 1983. Mexico's 1984 needs, by contrast, are \$1.2 billion less than they were in 1983, when the country borrowed \$5 billion from commercial banks.

Mexico has this year brought most of its overdue interest payments up to date and has substantially reduced its inflation and budget deficit.

Mexico touched off the so-called Latin American debt crisis in August 1982, when it told its major lenders that it could no longer pay its debts on time. The country owes about \$63 billion to commercial banks.

Under the terms of the Mexican package announced Thursday, the nation will pay either 1 1/2 percent points above the short-term London interbank offered rate (Libor) or 1 1/4 points above the U.S. prime. The country must also pay a fee to the banks equal to 1/4 of 1 percent of the face value of the loan — or about \$24 million. The new loan will be for 10 years and Mexico does not have to begin paying principal until Sept. 30, 1989.

A year ago, Mexico had to pay 2 1/4 percentage points over Libor, or 2 1/2 points over the U.S. prime rate, in addition to a fee of 1 1/4 percent — \$62.5 million — on the six-year loan.

Chris-Craft Lifts Stake in Warner To Become Controlling Shareholder

By Merrill Brown

Washington Post Service

NEW YORK — Chris-Craft Industries Inc. has become the controlling shareholder in Warner Communications Inc.

The move apparently blocks any attempt by Rupert Murdoch to gain control of the company, in which he has a 7-percent stake.

Warner Thursday announced plans to purchase a 42.5-percent interest in a television subsidiary of Chris-Craft Industries Inc., which, after stock transfers, effectively makes Chris-Craft the largest Warner shareholder. Chris-Craft will hold 19 percent of the voting power of all Warner stock and the chairman of Chris-Craft, Herbert J. Siegel, said the company plans to "acquire more than 25 percent" of Warner's voting securities.

The move is the latest in a long series of stock transactions by Chris-Craft and Mr. Siegel, who has made a reputation buying and selling shares in entertainment companies — most notably in 1981 when Chris-Craft bought and later sold a 22-percent interest in 20th Century Fox Corp. to the oil executive, Marvin Davis.

Warner officials rejected suggestions that Mr. Siegel is a "white knight" brought in to prevent Mr. Murdoch from expanding his current holding in the company.

Warner's chairman, Steven J. Ross, said he believed that the transaction "will benefit all of our shareholders by enhancing the company's (Warner's) value."

In the complex transaction, Warner purchased the 42.5-percent interest in Chris-Craft's subsidiary, BHC Inc., the fourth-largest non-network owner of broadcast stations in the United States. BHC owns 100-percent interests in KCOP-TV in Los Angeles and KFTY-TV in Portland, Oregon. In addition, BHC owns 50.1 percent of United Television Inc., which in turn owns television stations in Minneapolis, Salt Lake City, San Antonio and San Francisco. United is also seeking licenses to operate several mobile cellular radio franchises.

Warner made the purchase by issuing Chris-Craft 15.2 million shares of a new Warner preferred stock, convertible to 12 million shares of Warner common stock. That holding has a face value of about \$276 million, about Warner's price for the purchase, Warner now has about 65.4 million common shares outstanding.

The agreement also calls for Chris-Craft to receive Warner preferred stock, not convertible to Warner common stock. Both the convertible and nonconvertible preferred "have additional voting protection in specified circumstances," the two companies said.

Since selling off its boat holdings in 1980, Chris-Craft has been evolving in recent years from an industrial-products company to a broadcasting concern. In addition to its television operations, Chris-Craft currently manufactures fibers, foams and other industrial goods, although for the year ending August 31, 1983, almost 78 percent of the company's \$84.4 million in revenue came from its television holdings.

"Through this significant participation in WCI, Chris-Craft can immediately broaden its participation in the communications and entertainment industries," Mr. Siegel said. Similarly, Mr. Ross said Warner's holding will enable it to "extend and broaden its fundamental strategic commitment within the communications and entertainment industries."

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AT&T Breakup: 'If It Ain't Broke, Why Fix It?'

(Continued from Page 11)

change—and would have changed as a result of the new long-distance competition, whether or not Mr. Bell had stayed in one piece.

AT&T's stock price, some of the money paid by ordinary telephone users under the old system went for the investments of Bell and its member companies in new technologies that might or might not help ordinary telephone users. But in the vast Bell System, all these funds were commingled in ways that made it difficult to determine what monthly phone bills really were paying for.

Now, under the breakup, accountability should be somewhat easier. Also, Bell is now free to jump into the competition of the information age without the legal restrictions caused by its past monopoly status. The telephone business of the future will involve a lot more than arranging phone conversations between individuals and businesses. It will involve transmitting huge amounts of data between business computers, serving home-owners with personal computers

and enabling businesses and individuals to tie into computerized data bases.

AT&T is expected to stop making simple home phones altogether, and concentrate on making more complicated equipment, such as "smart" phones and switching terminals. More and more traditional home phones will come from Hong Kong, Taiwan and Japan.

There is a danger that rising phone and equipment charges will force the poor to curtail their use of the phone, or give it up entirely.

But economists say it is hardly efficient for modern telecommunications systems to play the role of welfare agencies.

One hopes that the long-run result will be phone service that is a better bargain because of competition and efficiency. If things work out, the U.S. telecommunications sector will emerge as vigorous and healthy as the U.S. computer industry, ready to provide more services at lower costs and prepared to maintain the U.S. position as a

world leader in a crucial technology.

The concern is that the breakup will not end the confusion, the legal battles, the endless regulatory hearings, and the congressional lobbying that has embroiled the industry for the past 15 years. In that case, the payoff from the breakup will be reduced.

Peter Behr has covered the breakup of AT&T for The Washington Post.

Washington Post Service

Allianz Abandons Its Bid for Eagle Star

(Continued from Page 11)

since, industrial investments and financial services.

Allianz said it also will be looking elsewhere for new partners. A sale to BAT at the current offer price would yield Allianz a profit of about \$165 million on its 42 million Eagle shares, most of them acquired in June 1981 for 290 pence each. With that prospect, Mr. Von der Burg said Allianz would look at

other ventures in the United States, Britain and Japan, though he conceded that the last market is hard to enter.

The German insurer wants to derive at least 25 percent of its premium income from abroad, up from the present 15 percent, the executive said.

For BAT, Eagle represents the chance to diversify into financial services. BAT wants to reduce its

dependence on tobacco, for which sales growth is slow in the richer countries. Last year, despite BAT's ambitious diversification moves, tobacco still accounted for 73 percent of trading profit.

The stock market Friday again endorsed BAT's latest diversification plan. BAT shares rose 11 pence to close at 179.

IBM Accord Pushes Up Atlas Hopes

(Continued from Page 11)

makes heads for Hewlett-Packard, General Electric, Memorex and Texas Instruments.

"One of the reasons were so busy is that all the big U.S. companies are uncomfortable with being dependent on Japan," Mr. Miller said. "Ultimately, the Japanese manufacturers will do first and foremost what is good for Japan. And Japan's plans to rule the computer industry are no secret."

The company produces ferrite material and conducts research and development through two subsidiaries in Silicon Valley, which is near San Francisco. But its main manufacturing operations are in Hong Kong, where labor costs are about \$15 a day per worker, compared with more than \$15 an hour, benefits included, in the United States.

The tax benefits in Hong Kong, with its maximum corporate tax rate of 16.5 percent, are also considerable.

To meet the demand for computer parts, Atlas plans to add 1,000 workers to its payroll of about 2,000 in Hong Kong. But the biggest expansion will be in Malaysia, where the company is building a 500,000-square-foot (45,000-square-meter) complex in Penang, a free-trade zone offering tax breaks and other benefits for high-technology investments. In addition, Atlas is tripling the size of an existing plant in Malaysia, adding 85,000 square feet.

The Penang complex will be an integrated plant, housing operations that are to include manufacturing, assembly, plastic-injection molding and metal fabricating.

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